

Norfolk Island

Economic Development Strategy



Department of Infrastructure and Regional Development
July 2015





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INTRODUCTION

Norfolk Island

Norfolk Island is an Australian Territory situated in the Pacific Ocean some 1,600 kilometres northeast of Sydney (around three hours flying time). It is a picturesque Island with a deep and unique history.

The main Island is has an area of around 8 kilometres by 5 kilometres and is surrounded by smaller Islands that are not inhabited. At the time of the 2011 Norfolk Island Census, Norfolk Island's resident population was around 1,800 people, although it has since been reported to have fallen to around 1,300 people.

It was first settled by people of British descent at around the same time as Sydney was first settled in the late 1700s. The population includes descendants of the Bounty mutineers from Pitcairn Island and people of Polynesian background, as well as people from elsewhere in Australia, New Zealand and other mainly Pacific Islands.

The economy of Norfolk Island is currently heavily dependent on tourism. A major attraction is Kingston and Arthur's Vale Historic Area (KAVHA), a World Heritage listed former convict settlement, although anecdotal evidence suggests many people within Australia and overseas are not aware of KAVHA and its significance.

Other attractions include the National Park and Botanic Gardens, the scenery of the Island, its biodiversity and the history of the Island including its Pitcairn community.

As well as tourism, employment opportunities on the Island include farming and fishing, largely catering for local consumption. Additionally there is some employment in construction, energy and infrastructure provision and government services.

Unique arrangements were established in 1979 to give the Norfolk Island Legislative Assembly all local, state and some federal responsibilities. However, since that time Norfolk Island has faced challenges in generating enough revenue to be able to efficiently deliver this range of government functions. As a result, the Norfolk Island community is currently receiving services at a significantly lower standard than those available to comparable communities elsewhere in Australia. There are serious risks to the wellbeing of some residents, from inadequate social support, health, aged care and infrastructure services on the Island.

Following a number of inquiries and reports, the Australian Government decided in early 2015 to change the legal and governance framework for Norfolk Island. A package of bills to amend the *Norfolk Island Act 1979* and other relevant legislation was passed through both Houses of the Australian Parliament. These new governance arrangements, including an interim Advisory Council to 30 June 2016 thence a Regional Council from 1 July 2016 will provide an opportunity to address many previous impediments to economic and employment growth on the Island.

Input to this Economic Development Strategy

This document presents the Economic Development Strategy for Norfolk Island. It outlines a proposed vision for the Island and principles for decision making. How the Island is currently positioned in the context of the vision is discussed within key theme areas, and actions to achieve the vision are also included.

This Economic Development Strategy was prepared with the intention that it would reflect and build on feedback received from formal consultations and informal conversations with residents of Norfolk Island and other interested parties, including Australian Government representatives. It has also drawn on work previously undertaken such as the *Norfolk Island Tourism Strategic Plan 2013-2023*, and independent research. The Strategy is not intended to be a rigid document, but to provide a starting point, with ideas and directions that can be modified over time.

For this Economic Development Strategy to be most effective, ownership by the community of Norfolk Island, and by those who can support and drive changes are necessary. In that regard, a key recommendation is that consultation on the Strategy with all key stakeholders be undertaken by the Advisory Council, Administration and a future Regional Council.

In addition, while all proposed actions are considered conducive to the diversification of the Island's economy at present, they may require amendment over time. A monitoring and review process is recommended to respond to local and external changes in circumstances. Keeping the Economic Development Strategy current and updated is essential if positive outcomes are to be maximized.

SGS and C Change would like to thank all those who generously contributed their thoughts and ideas to the development of this Strategy. While not all of the ideas and suggestions raised have been incorporated in the final document, this does not mean that they do not have merit, or that individuals should not continue to pursue them through other means.

We hope that there will be general support for the broad directions and the package of measures proposed in this Strategy.



NORFOLK ISLAND ECONOMIC DEVELOPMENT STRATEGY

Vision:

By 2025 Norfolk Island will be a sustainable community where the Island's culture, heritage and environment continue to be recognised and highly valued. These attributes will generate economic development opportunities, which will enhance the well-being of all Island residents.

The Island will offer a competitive regional tourist product, attracting a wide range of visitors through a diverse tourism offer orientated around Norfolk Island's unique history, culture, community and natural environment.

Tourism will be complemented and the economy diversified by local craft, food and agricultural products to enhance the tourism experience, as well as provide opportunities for the resident population. Import substitution and generation of income from exports will be key outcomes.

New opportunities to develop education and research on the Island will also be generated and emphasis on a clean and pristine environment pursued.

The population of the Island will be growing, with an increase in the proportion of young adults and families. A wider range of economic opportunities will mean that people who have grown up on the Island will be enticed to stay or to return. New residents and investors who value the culture, history and environment on the Island, will also have the opportunity to live and work on the Island. These new residents and investors will be able to contribute to the Island's economic growth by using their professional, trade and entrepreneurial skills.



Principles:

Principles underpinning the inclusion or otherwise of economic development actions in this Strategy have been based on the following:

- Tourism attraction efforts will be focussed on the Island's unique opportunities and circumstances and build on the existing cultural and clean and pristine environmental attractions.
- Economic opportunities will include service industries and production of goods for export and import-replacement (that is, the replacement of goods that have previously been purchased from elsewhere with locally-produced goods).

- Businesses from small scale start-ups to medium and larger corporations will all be encouraged to contribute to the economic development of the Island.
- Actions are predicated on the assumption that a Regional Council will focus on basic infrastructure, and reducing the cost to business and households of electricity, internet and freight services.
- Actions will also look to build on and enhance the skills of the local community.
- Economic development actions by a Regional Council will encourage innovation and entrepreneurship, and will also support the well-being of the broader community.

Key Themes for the Economic Development Strategy:

Economic development is a term that relates to increasing the overall wealth and quality of life in a region, and distributing these benefits broadly throughout the community. In order to make the most impact, it is important to understand the drivers of an economy, to acknowledge the role and impact various players can have on components of the economy, and to also acknowledge and act upon those elements that are missing.

This Economic Development Strategy covers:

- Enabling factors: building on key elements including governance; institutional frameworks; infrastructure, including infrastructure to support exports; entrepreneurs; the capital market; workforce, environment and lifestyle.
- Understanding and addressing leakages (where appropriate): including expenditure on imports that could be replaced, higher order retail, education and health services; payment of dividends and profits generated by activities on the Island to people who do not live on the Island; and
- Building on external contributions: including, export income, investment coming into the economy from external sources, and payments from external government sources.

Key economic development themes and issues for Norfolk Island include:

Theme 1: **Tourism and Cultural Development;**

Theme 2: **Environment, Research and Education;**

Theme 3: **Agricultural, Horticultural, Fisheries and Cottage Industries.**

It is noted that there can be considerable overlap between these themes.



As discussed above, improvements to governance and infrastructure are key enablers of economic development. From the perspective of the Economic Development Strategy for Norfolk Island, it is essential that these components are addressed as priorities.

Although many elements are not 'economic development opportunities' in their own right, the enabling of the areas below will ensure that the economy can flourish and exchange can be maximised. For this reason, it is considered important that these underlying components be focussed upon in tandem with development of other key initiatives.

The following chapter concentrates on these underlying requirements and discusses requirements in terms of:

- Governance
- Lifestyle and Amenity
- Electricity, Water and Waste Management
- Transport Infrastructure



ENABLING FACTORS – UNDERLYING REQUIREMENTS

Improvements to Governance

As noted above, effective governance is a key enabler and pre-requisite for economic development. Effective governance is needed to ensure appropriate institutional frameworks, infrastructure provision, investment and capital market operations, regulatory processes and workforce development opportunities.

Effective governance arrangements will also ensure the delivery of essential services to the community, revenue raising to fund services on the Island, and a means for community members to express their views and preferences.

Following the passing of amendments to the *Norfolk Island Act 1979* and other relevant legislation by the Australian Government, new governance arrangements for Norfolk Island are now being phased in.

A Norfolk Island Advisory Council has been established to provide advice to the Australian Government's Assistant Minister for Infrastructure and Regional Development, the Hon. Jamie Briggs MP and the Norfolk Island Administrator, the Hon. Gary Hardgrave, during the transition to new arrangements to apply from 1 July 2016. From 1 July 2016 a new Norfolk Island Regional Council will be established to deliver a range of local services. The Council will be elected by eligible voters and will be modelled on local governments in New South Wales.

From 1 July 2016, Norfolk Island residents will also have access to a broad range of Australian and State Government programmes, social security and health care payments and services. Australian immigration, customs and quarantine services will also be extended to Norfolk Island. Norfolk Island residents will pay income tax and other direct federal taxes, consistent with arrangements that apply to other Australians. These taxes will replace a range of inefficient (and sometimes inequitable) taxes and charges previously levied by the Norfolk Island Government, including the Norfolk Island healthcare levy and high customs charges.

Governance Opportunities

Economic modelling by the Centre for International Economics (CIE) in 2014 indicates the new governance arrangements to apply from 1 July 2016 will increase gross territory product by around 25 per cent and household consumption expenditure by around 52 per cent.

In addition, CIE indicated that the new arrangements will provide more certainty for investors, and better access to finance for business development. Access by Norfolk Islanders to social security payments, Medicare, the Pharmaceutical Benefits Scheme, aged care and child care programs will provide incentives for the establishment of new services on the Island.

Some actions to assist in ensuring that the transition to the new governance arrangements are smooth, and the potentials for further economic activity is maximised, include:

- Developing a community engagement strategy to minimise uncertainty and misinformation during the transition process. This would include providing information and support for the establishment of new businesses and/or the adjustment of existing businesses to the changed governance arrangements.
- Providing support to enable the setting up of new businesses and not-for-profit organisations that can benefit from access to Australian and State programmes and payments such as aged care, child care and the National Disability Insurance Scheme.
- Providing information to stakeholders regarding the types of grants / assistance that might be available to support environmental, training and employment programs.
- Working with financial institutions already operating on the Island (Westpac and Commonwealth Bank) and potential new financial market operators to better understand the impediments to access to capital for business development on the Island, and possible ways to overcome financial access obstacles.
- Engaging with peak organisations representing professionals including accountants, engineers, valuers, planners and health professionals, to disseminate information about opportunities likely to arise as a result of the new governance arrangements on the Island.

Improvements in Overall Lifestyle and Amenity

Attracting and retaining an active and entrepreneurial workforce relies on many elements, including the overall lifestyle and amenity of the location in which people live. In an increasingly globalised world, attracting high value knowledge workers and industries that are not reliant on specific geographic attributes, is very much dependent on ensuring that the environment for workers and residents is high quality, efficient and has the types of services that many in urban environments take for granted.

Areas for improvement on Norfolk Island include:

- Quality of municipal services, public spaces and amenities, and ease of movement around the Island;
- Internet services;
- Diversity of recreational opportunities;
- Opportunities for families.

As recreational opportunities and opportunities for families are discussed in the tourism themes in the following section, this section concentrates on the built environment and public spaces, plus internet services.

Lifestyle and Amenity Opportunities

From 1 July 2016, the new Norfolk Island Regional Council will continue to have responsibility for town planning and municipal services. This will enable the implementation of planning for key sites and areas across the Island. It is acknowledged that while some improvements to key areas has occurred to date, there is a renewed need for additional attention to sites to ensure that their economic development potential is maximised.

Opportunities in this regard include the Regional Council commissioning and implementation of:

- A Burnt Pine commercial precinct master plan;
- A master plan for the KAVHA site;
- Signage improvements throughout the Island; and
- Improved treatment of gateway areas as a ‘welcome’ to the Island.

In addition, current internet services are very expensive, particularly given the quality of the services available. The current telecommunications network is only equipped to handle 2G services. To be able to compete for high value knowledge workers and retain residents and industries, internet services will need to be upgraded to a standard comparable to the services available to mainland counterparts. Access to efficient and effective internet services will also support training and education opportunities.

Roll out of the NBN and other opportunities regarding the internet have been identified. It is considered essential that these be further pursued. A cost benefit analysis for options to further improve internet connectivity both between the Island and mainland/international locations, and between different sites on the Island should also be considered by the Regional Council.

Improvements to Electricity, Water and Waste Management Infrastructure / Services

Key infrastructure on Norfolk Island currently includes local electricity networks and fuel storage tanks at Ball Bay¹.

The cost of electricity to businesses and households on Norfolk Island is currently almost four times more expensive than on the mainland.² There is also no current capacity to modernise the diesel generator powered electricity network, and the community is at risk of prolonged power outages. The grid has also been unable to handle additional power generated by the introduction of a solar power program.

There is a lack of understanding of the overall capacity of water resources available for use on the Island. There is currently no public water supply or co-ordinated water catchment system on Norfolk Island, with each dwelling and business supplying its own rainwater storage system. The Government-operated Norfolk Island Water Assurance scheme provides sewerage services to Burnt Pine and Middlegate, which is where the majority of the residents and tourism-related businesses are located. The remaining population use septic tanks and effluent absorption trenches.³ It is noted that there are issues of E.coli within the water system in the lower catchment area of the Island.

In addition, there is currently no solid waste collection system on Norfolk Island, with all residents and businesses being required to bring their own waste to the Waste Management Centre. Household waste that cannot otherwise be disposed of is burned and dumped into the ocean. This has direct environmental impacts as well as significantly jeopardising the marketing of the Island a clean and pristine environment tourism destination.⁴

A key component of the Economic Development Strategy for Norfolk Island includes the development of initiatives by the Regional Council to maximise the clean and pristine environment aspects of the Island, where possible, which are viable, sustainable and promote private sector investment. These are discussed further under specific economic development themes.

Key Infrastructure / Services Opportunities

Analysis of Government Business Enterprises undertaken by Deloitte Access Economics has identified significant scope for improvement in electricity service provision, through management outsourcing. These opportunities should be further investigated and implemented wherever there is a net community benefit to Norfolk Islanders.

¹ ACIL Tasman, p 28

² Departmental Submission to the Economic Development on Norfolk Island Inquiry, 2014.

³ ACIL Tasman, p 32

⁴ ACIL Tasman, p 33

With regard to the lack of understanding and knowledge about overall water resources available for use on the Island, it is recommended that the following initiatives be considered by the current Administration of Norfolk Island and the future Regional Council as a matter of priority:

- Undertake a study to consider longer term water usage, supply constraints and charging policies, including use of groundwater.
- Undertake an assessment of current and potential options for sewerage services on the Island.
- Implement arrangements similar to those applied by local governments in similar situations elsewhere, while not compromising or ruling out clean and pristine environment opportunities.

As noted above, waste management services on the Island are not of the standard that is considered acceptable and environmentally responsible. It is recommended that a waste management strategy be developed and implemented as soon as possible. Best practice waste management systems should be investigated and other (good) practices on remote Islands / areas should be considered. Opportunities for separation of waste and collection of organic waste materials that give rise to the development of a composting facility/business should be investigated. This is discussed further as part of the horticulture economic development theme.

Improvements to Transport Infrastructure

Transport and distribution networks are an important consideration for the Island economy, as freight costs are high and circumstances are substantially different to those on the mainland.

Norfolk Island relies on sea transport for the supply of many inputs, including some food, all gas, fuel and significant volumes of general cargo. This mode of transport is infrequent and at the mercy of sea and weather conditions.

As discussed in more detail in the following section, growth in the number of tourists visiting Norfolk Island is also constrained by poor access by cruise ships to the Island and the capacity of current airline services. At present, in the event that all scheduled flights were booked to capacity, some of the tourist accommodation on the Island would still be under-utilised.

General cargo ships and passenger ships cannot currently dock at a harbour, but must anchor a few hundred metres offshore. Motorised launches are then used to transport goods and people to one of two small jetties at Kingston and Cascade Bay. There are potential safety issues associated with this practice, and the ability for cargo and ships to dock is also dependent on sea conditions.

The majority of the cruise ships that would like to unload passengers at Norfolk Island do not currently do so because of the state of infrastructure available.⁵ There are issues with safety, as well as the requirement to offload passengers from cruise ships, should cruise ship lifeboats used as tenders become damaged.

Issues associated with the ports on the Island are well known and works have begun to bridge this gap. The Cascade Pier has been identified as critically important to the economy of Norfolk Island, and the Australian Government has commenced work on a \$13 million project to strengthen, widen and extend this pier. Expenditure of this \$13 million should also mean better crane facilities can be situated on the pier to unload cargo from barges and to raise and lower barges into and out of the sea. This should allow larger numbers of cruise ship passengers to disembark from barges to the pier more safely and efficiently.

However, these facilities may still not meet landing requirements in all weather conditions and the use of containerised cargo is still uncertain. In the longer term, investigation of the overall costs and benefits of further developing port facilities across the Island could be considered.

⁵ ACIL Tasman, p 28.

The general condition of Norfolk Island's roads is also described as poor, with damage often taking years to repair. The current road to Cascade Pier or the National Park cannot be used by tourist buses, and as a result many visitors are currently not able to experience all that Norfolk Island has to offer.

Opportunities for Transport Infrastructure

With the Cascade Pier improvements currently underway, some improvements to arrangements for sea freight, and passenger transfers will arise. These improvements are expected to provide better opportunities for some exports and for passenger transfers from cruise ships.

Beyond the upgrade of Cascade Pier, the following opportunities could be considered by the Regional Council over the longer-term:

- Undertake a full cost benefit analysis to assess the best medium to longer term port (or port combination) upgrade options to reliably accommodate cruise ship passengers and containerised freight. Included as part of this assessment would be consideration of the current private sector approach for the development of a port at Jacob's Rock, plus additional upgrades that might be beneficial at Kingston and Cascade. The analysis would need to take into account environment, heritage and other infrastructure issues.
- In the intervening years consideration could be given to the development of an on-Island tender business (this opportunity is also noted in the tourism themes).

Efficient air movements both for freight and air passengers are also key components of a well-functioning economy. The current airline service between the mainland ports of Brisbane and Sydney and Norfolk Island is only viable due to Australian Government underwriting through a contract, currently with Air New Zealand. It is noted processes have commenced on a tender for air services between the mainland and Norfolk Island, with the aim for a new airline contract to apply from July 2016, in the absence of a commercially viable solution. The emphasis on the outcomes of this in providing efficient and affordable transport to and from the Island cannot be under-estimated. As the tourism industry underpins the Norfolk Island economy, ensuring that the tourism industry can reach its potential relies on a well-functioning air-movement market. In addition, imports to the Island and potential export opportunities from the Island will be assisted by reliable, affordable and accessible air transfers.

As noted previously, Australian immigration, customs and quarantine services are also being extended to Norfolk Island commencing 1 July 2016. These services will need to be located at the airport, at Cascade Pier and at other locations that may be used as a first port of call.

With the changes in governance, the Norfolk Island Regional Council will likely have access from 1 July 2016 to some local council-type roads funding from the Australian Government. It is understood there is currently a strategic road infrastructure study in place and planning for some road improvements currently underway. Together with these initiatives it will be imperative for road funding to be directed to areas of highest need. When determining highest need, it will be important for economic development that key infrastructure items such as the airport, port facilities and tourism destinations are adequately serviced. Priority will need to be given to the roads connecting the airport, Burnt Pine, Kingston and Cascade Pier. Pending improvements to the road network, consideration may have to be given to restricting the types of vehicles that can use some roads, and to improving signage and lighting to improve safety for road users, cyclists and pedestrians.

ECONOMIC DEVELOPMENT THEMES

Economic Development Themes for the Strategy have been grouped into the following areas.

Theme 1: **Tourism and Cultural Development**

Theme 2: **Environment, Research and Education**

Theme 3: **Agricultural, Horticultural, Fisheries and Cottage Industries.**

Tourism is a key pillar of the Norfolk Island economy. In order to realise Norfolk Island's vision of being a regional tourism leader, many elements of the tourism offer will need to be further developed by the Regional Council.

The Island will be a regional tourism leader, attracting a wide range of visitors through a diverse tourism offer orientated around Norfolk Island's unique history, culture, community and natural environment.



Norfolk Island Tourism – Current State of Play

Tourism accounts for around 41% of Norfolk Island Gross Island Product and is the Island's principal economic activity⁶.

A major attraction is Kingston and Arthur's Vale Historic Area (KAVHA), which is World Heritage listed. KAVHA includes a group of buildings developed for use as a convict settlement from 1788-1855. Visitors to the Island can also see convict artefacts and the anchor of the HMS Sirius, flagship of the First Fleet, which hit a reef and sank just off the Island. In addition, Norfolk Island includes evidence of early Polynesian settlement, and is the place where Pitcairn Island descendants of the *Bounty* mutineers were resettled in 1856.

Other attractions on the Island include the National Park and Botanic Gardens, the scenery of the Island, its biodiversity and the culture of the Island including its Pitcairn community.

However, as stated earlier, the cultural, heritage and environmental values of Norfolk Island are relatively unknown, other than to residents and visitors to the Island. There is scope to enhance and better co-ordinate promotion of Norfolk Island's attractions, as part of a Norfolk Island marketing strategy.

Current visitors to Norfolk Island do not come from a wide variety of areas – with almost all from Australia (79% of tourists) or New Zealand (19% of tourists)⁷.

There are a large number of accommodation venues, restaurants and cafes that cater for tourists, but much of the accommodation offer is in the order of 3 and 3.5 star, and there is little diversity in the lower or upper ends of the spectrum. There was an estimated offering of 66 accommodation properties on Norfolk Island in 2012, with a total offer of 1,649 beds. These were distributed between five hotels (2.5-3.5 star rating), 60 self-catering units, cottages or houses (2.0-5.0 star rating, but with a very limited number of 5 star rated units), and one guest lodge (3.5 star rating). The average occupancy rate for Norfolk Island in 2010-11 was 36 percent, compared to 65 percent in Australia for the same period⁸.

The daily tourism spend on Norfolk Island (including accommodation spending) has been estimated at around \$215 per person, with an average visitor stay of 7.6 days.⁹ Anecdotal information suggests that once on the Island, apart from tours and eating /dining experiences, there is little retail 'pull' for further expenditure, and consultation indicated that a few shops aside, the retail offer could be substantially improved.

Since 2011 the Australian Government has committed to the underwriting of an air services contract to Norfolk Island. This ensures that regular flights between Norfolk Island and the mainland are maintained at a commercial cost, having regard to the interests of the users of the service and the population of Norfolk Island. The current contract with Air NZ applies until 31 July 2016. Air New Zealand currently flies five days a week into Norfolk Island from Australia and New Zealand. Air New Zealand provides the one weekly service from Auckland on a commercial basis. These flights originate in Sydney, Brisbane and Auckland, and provide a total capacity of 840 airline seats in each direction each week.

Although the number of tourists visiting the Island reached around 40,000 in 2003, it has fallen in recent years and in 2013/14 was at 23,500¹⁰. By comparison, there has been significant growth in the number of short term visitors departing Australia for competing tourist destinations over the same period.

⁶ JSC, page 12

⁷ Deloitte Access Economics, P 11

⁸ ACIL, 2012, page 37.

⁹ ACIL 2012, citing CIE 2006.

¹⁰ As reported to the Tourism and Transport Forum.

For example, between 2003/4 and 2013/14, the number of Australian visitors to:

- Thailand increased by around 250% to 614,700 in 2013/14;
- Indonesia increased by 266% to 1,012,800 in 2013/14; and
- Fiji increased by 108% to 333,900 in 2013/14.¹¹

Current visitors to Norfolk Island are skewed towards an older demographic, with around 66 percent of tourist arrivals aged 60 and over¹². Information collected as part of the Norfolk Island Census in 2011 indicated that the median age for total population on the Island (including visitors) was 58 years old, while the median age for the ordinarily resident population was 46 years old.

General trends in overseas travel from Australia are that:

- People with no dependents are 34 percent more likely to take an overseas holiday than those with dependents
- Households whose income is greater than the national median income are 31 percent more likely to take an overseas holiday, compared to those whose income falls below the median
- The peak age group for male Australian residents departing overseas for a short-term stay abroad was 45-49 years in 2012 (9.9%), while for females it was 25-29 years (10.0%)¹³
- The median age for all short term resident departures from Australia was 41 years in 2013/14¹⁴.

There is thus significant scope for Norfolk Island to increase its tourist numbers and earnings from tourism by targeting different age groups and market segments.

Norfolk Island also has the potential to access a significant number of additional visitors if suitable arrangements can be made for the cruise ship industry. It is estimated that a visit from a large cruise ship carrying around 2,000 passengers and crew could inject around \$200,000 into the Norfolk Island economy (\$100 per visitor).¹⁵

Cruising is becoming ever-more popular with Australian tourists, with consistent growth in passenger numbers year on year. The number of passenger numbers almost doubled between 2002 and 2012. In 2015, the number of cruise passengers departing Australia is expected to increase by another 4.3%.¹⁶

The most popular destination for Australian cruise passengers was the South Pacific which accounted for 36.4% of the market in 2012 (252,500 passengers). Short cruises of 1-4 days experienced the greatest growth in 2012. Almost half of Australian cruise passengers are under the age of 50, a quarter are aged under 40 and one third are over 61 years.¹⁷ This is a quite different age profile to the profile of current visitors to Norfolk Island (see above).

As discussed above, a major impediment to cruise ship access to Norfolk Island is poor port facilities. A similar situation has been addressed on Pitcairn Island by arranging for a local lecture and craft and curio market to be held on the cruise ship, when sea conditions do not allow passengers to land on the Island. On average around 10-15 cruise ships stop at Pitcairn Island each season. When sea conditions permit landing of passengers, visiting cruise ships generally use their own tenders to enable this to happen.¹⁸

¹¹ ABS Cat No. 3401.0 *Overseas Arrivals and Departures*, Australia, Jun 2014.

¹² ACIL, 2012, page 36.

¹³ Tourism Research Australia, 2011.

¹⁴ ABS Cat No. 3401.0 *Overseas Arrivals and Departures*, Australia, Jun 2014.

¹⁵ JSC Report, pages 56-57.

¹⁶ www.cruisemarketwatch.com

¹⁷ Cruise Industry Report Australia, 2012

¹⁸ www.visitpitcairn.pn/cruise_ships/index.html.

Increasing tourist numbers to Norfolk Island may require additional flights, and should continuing demand dictate, consideration of off-peak flights may be warranted along with better access to the cruise ship market.

Theme 1 – Tourism and Cultural Development

Key Opportunity

Leverage the value of the World Heritage listed KAVHA site through value adding and promotional activities.

Outcome Sought

- Greater use of the site by residents and visitors.
- Increase in the number of tourists to Norfolk Island, attracted by the opportunity to visit the site.
- Longer term protection of the site.

Key Actions

- Action 1.1:** Improve on-site interpretation. Expand the range of tours and activities at the site, targeting different groups (e.g. historical tours, ghost tours).
- Action 1.2:** Consider complementary uses for this site, such as an on-site café, craft shop and cultural centre.
- Action 1.3:** Finalise and implement a master plan for the site as noted in the enabling section.
- Action 1.4:** Consider setting up a trust to manage the site, and to re-invest proceeds from any future commercial operations.

Key Opportunity

Establishment of a cultural centre, and incorporation of the culture and history of Norfolk Island into various built forms throughout the Island, in tourism activities and in promotional material.

Outcomes Sought

- Ensuring that the culture and historical development of the Island is known and documented in a way that lends itself to education as well as tourism opportunities.
- Increased opportunities, for local people to earn income from dissemination of their knowledge and culture.

Key Actions

- Action 2.1:** Identify a site and funding source for a cultural centre. Options could include reuse of Government Offices or use of the KAVHA site. Also assess benefits for co-location of the cultural centre with the school. The cultural centre should include flexible spaces for conferences, training and performances.
- Action 2.2:** Develop a cultural and heritage charter for the Island. The charter would outline the objectives and means for preserving, enhancing and communicating the Island's heritage and culture.
- Action 2.3:** Identify elements of the charter that can be implemented immediately.
- Action 2.4:** Implement a cultural and heritage interpretation strategy and market this to tourists.

Key Opportunity

Increase knowledge of Norfolk Island's culture and history by marketing activities associated with public holidays.

Outcome Sought

- Increase the number of tourists visiting the Island to attend celebrations of key events.

Key Actions

Action 3.1: Incorporate information on public holidays and events as part of marketing and promotional activities.

Key Opportunity

Update the the Norfolk Island Tourism Strategic Plan 2013-2023, to reflect new opportunities arising from governance changes.

Outcome Sought

- An increase in the number of tourists visiting Norfolk Island, including a wider range of age and interest groups, and an increase in tourist expenditure on the Island.

Key Actions

- Action 4.1:** Work closely with Australian Government tourism agencies, to attract more Australian and international tourists to visit Norfolk Island. Develop strategies to deliver:
- A wider range of accommodation options from backpacker accommodation to high end luxury accommodation¹⁹, including national and international hotel chains.
 - A wider range of restaurants and cafes
 - Night time entertainment and activities suitable for a wide range of age groups
 - Health spas and retreats
 - High quality attractions, including attractions unique to the Island
- Action 4.2:** Work with the tourism industry to set up appropriate training for tourism and service industry employees.

Key Opportunity

Implement a new marketing strategy with links to the new airline contract to apply from July 2016. This should be complemented by a more consistent approach to the provision of information to tourists, as part of a Norfolk Island 'Brand'.

Outcomes Sought

- Marketing strategy to attract a broader range of tourists to visit the Island.
- New airline contract to provide incentives to market Norfolk Island, meet passenger demand, attract a wider range of tourists, serve additional markets and meet freight needs.

¹⁹ SGS was advised that higher end accommodation on Norfolk Island, has been able to benefit from an "overflow" of visitors who could not be accommodated on Lord Howe Island.

Key Actions

- Action 5.1:** Engage a marketing expert to prepare a new marketing plan and 'brand', highlighting the cultural, environmental and historic attractions on the Island, and opportunities that will attract a wide range of visitors to come to the Island. Include a social media strategy and an evaluation plan.
- Action 5.2:** Consider offering incentives to bloggers to visit the Island and market the Island's attractions to different market segments.
- Action 5.3:** Hold a photographic competition with the results used to further promote the Island.
- Action 5.4:** Seek advice and input from key stakeholders as input to airline contract negotiations, including air freight.
- Action 5.5:** Identify means to provide direct airline flights from other locations if warranted, for example Melbourne²⁰.

Key Opportunity

There is scope to attract to Norfolk Island people from a much wider age range, including small scale conferences, and people participating in school, sporting, cultural group activities and specific events.

Outcome Sought

- Increase the number of visits to the Island from people in different age and interest groups, including in the current off peak season.

Key Actions

- Action 6.1:** Support the expansion of high end tourist accommodation.
- Action 6.2:** Work with tourist promoters, airlines and accommodation providers to develop packages for a wider range of tourist experiences including group activities and outdoor activities.
- Action 6.3:** Identify and promote venues for music activities such as folk festivals and country music festivals.
- Action 6.4:** Develop and promote food tourism packages.
- Action 6.5:** Promote Norfolk Island as an ideal destination for cultural activities such writers and artists retreats.
- Action 6.6:** Package and promote holidays attractive to families, including specific programs for school holidays, with child care options.
- Action 6.7:** Identify and market 'short break' opportunities for people seeking a weekend or long weekend away (these are likely to become more attractive when airlines flights to Norfolk Island are treated as domestic rather than international travel).
- Action 6.8:** Support the establishment of a cultural centre, that could also be used as venue for small scale business or other events (see further discussion above).
- Action 6.9:** Develop and promote wedding and honeymoon packages.
- Action 6.10:** Identify and market opportunities for sporting organisations to use Norfolk Island as a training venue.
- Action 6.11:** Review the marketing strategy and budget, including marketing to increase visitors in the off season. Consider marketing as part of new airline contract (see above).
- Action 6.12:** Consider marketing direct to schools (including non-government schools) and key interest groups, with incentives to visit the Island in the current off peak season.

²⁰ Around 17% of recent visitors to Norfolk have been from Victoria, even though there are no direct flights from Melbourne (ACIL Tasman, p 38). By comparison, Victorians made up 25% of all short term departures from Australia to international destinations.

Key Opportunity

Develop a program for key national and international events.

Outcome Sought

- Increase visitors to the Island and showcase the Island's attractions.

Key Actions

Action 7.1: Work with sporting organisations to develop opportunities for key national and international events such as a Sydney to Norfolk Island Yacht race, South Pacific Games, kayaking events, adrenalin sports (eg zipline, skydiving, tough mudder, parasailing), an ocean swimming event, mountain bike and multi-sport events.

Key Opportunity

An increase in the number of passengers and cruise ships operating in the South Pacific, particularly operating from Australian and NZ ports.

Outcomes Sought

- Increase the number of cruise ship visits to the Island.
- Increase the number of cruise ship passengers who subsequently make a separate visit to Norfolk Island.

Key Actions

Action 8.1: Undertake consultation with cruise ship operators, to assess how Cascade Pier improvements currently underway, might be used to increase cruise ship passengers landing on the Island.

Action 8.2: Assess options for Norfolk Islanders to visit cruise ships moored offshore, to present information on Norfolk Island's history and culture, and to sell craft items and souvenirs (similar to Pitcairn Island.) Also investigate the potential costs and benefits of funding of tenders to transfer cruise ship passengers to the Island.

Action 8.3: Consider a feasibility assessment for the development of a 'tender' business to assist in getting people to and from ships/boats to the Island.

Key Opportunity

There is potential for Norfolk Island to benefit from a growing interest in nature tourism, and research.

Outcome Sought

- Increase in the number of visitors to Norfolk Island with an interest in nature tourism and research.
- Longer term protection of National Parks and other environmental assets.

Key Actions

Action 9.1: Improve tourist access to National Parks, and information and facilities for visitors, including accommodation options.

Action 9.2: Develop camping sites within the National Park and other picturesque areas.

Action 9.3: Link to marketing strategy for school groups and interest groups such as bird watchers.

Action 9.4: Implement and market a Great Walk around the Island, ensuring that safety elements are addressed and that there is consultation on the agreed track.

Theme 2 – Environment, Research and Education

Norfolk Island is a picturesque island with its own eco-system and natural attractions. Captain Cook recognised the value of the majestic Norfolk Island pine, and the Island is home to around sixty other plant species found nowhere else in the world. The uninhabited Phillip and Nepean Islands are important breeding sites for at least twelve species of sea birds and home to several endemic plants and animals.

Norfolk Island includes a National Park, and the Island is surrounded by marine life, including tropical fish and coral.

Key Opportunity

The remote location of Norfolk Island means that some local fauna and flora is unique to the Island. Careful consideration could also be given to using the Island as a sanctuary for endangered species from elsewhere.

Outcome Sought

- Leveraging of economic opportunities from the unique natural environment of Norfolk Island, including research and eco-tourism.

Key Actions

- Action 10.1:** Identify and market opportunities to key target audiences and link to tourism opportunities, including snorkelling and scuba diving.
- Action 10.2:** Ensure that the unique natural environment of Norfolk Island is not jeopardised by other activities.

Key Opportunity

The facilitation of research to be undertaken on the Island by higher education and research institutions.

Outcome Sought

- Enhance the understanding of, and derive benefit from, Norfolk Island's unique environment.

Key Actions

- Action 11.1:** Create a research network to highlighting the challenges for island and other isolated communities, and hold workshops and an annual symposium inviting community representatives from similar communities worldwide. The research network could focus on:
- Sustainable Food Supply
 - Sustainable Building Skills
 - Sustainable Power Supply
 - Sustainable Economy
 - Sustainable Waste Management
- Action 11.2:** Market to other remote Islands and set up 'student swaps' or 'student positions' from other Islands and/or other institutions across the world.
- Action 11.3:** Encourage research projects and partnerships in areas such as island biogeography, conservation, deep sea research, fisheries, climate change, remote Island living, food security, sustainable agriculture, island cultures.

Action 11.4: Consider the potential use Norfolk Island's remote location as a venue for trials of new products (e.g. the calicivirus was initially tested on South Australia's Wardang Island).

Key Opportunity

Establishment of eco-friendly industries

Outcome Sought

- Increased employment in environmental industries and enhanced environmental outcomes.

Key Actions

- Action 12.1:** Identify funding options to deliver and showcase sustainable energy use through wind, solar and potentially tidal electricity generation.
- Action 12.2:** Facilitate the establishment of composting businesses for improved waste management systems. Separation of organic waste into the development of compost could be utilised to assist the agricultural/horticultural industries.
- Action 12.3:** Investigate community owned decentralized power distribution systems (community co-op model, for example as in Denmark, Western Australia)
- Action 12.4:** Investigate partnerships with renewable energy companies for trials on Norfolk Island (e.g. wave and tidal energy companies)
- Action 12.5:** Investigate a trial of Home Battery systems for households connected to the grid to help reduce load feeding back into the system from home photovoltaic systems during periods of peak supply.
- Action 12.6:** Market successes to other remote Islands/areas.

Key Opportunity

Use of natural materials on the Island for building.

Outcome Sought

- Replacement of imported material by increased use of rock and other natural resources on the Island, where this can be done with minimal environmental or heritage impacts.

Key Actions

- Action 13.1:** Assess the environmental and heritage impacts of increased use of rock and other local materials for building on the Island.

Key Opportunity

Improve online and distance education opportunities

Outcome Sought

- Improve access for Norfolk Islanders to education and research opportunities

Key Actions

- Action 14.1:** Set up mechanisms and facilities on the Island for students to access wider Australian and State Government education and training opportunities, including better access to distance and on-line education and training (this would need to be accompanied by improved telecommunications).

Theme 3 – Agriculture, Horticulture, Fisheries and Cottage Industries

Farming activities on Norfolk Island currently cater primarily for the local population and visitors to the Island. Farm production includes vegetables, fruit, poultry, eggs, pork and cheese. Wine and liqueurs are also produced on the Island, and fish are caught for local consumption.

There is a Growers' Market held each Saturday and an Art and Craft Market is held on Sundays. There are also roadside stalls that sell local produce.

Kentia Palm products are also produced for export.

Key Opportunity

There are opportunities to diversify the range of food products produced on the Island, and create export markets for products such as dried fruits, avocados and passion fruit. There is also scope to expand the production of local wines, liqueurs and craft beers, for consumption on the Island or for tourists to take home.

The remote location of the Island can also mean that there is an opportunity to protect honey bees, agricultural products and farm animals from viruses and diseases that may threaten production elsewhere, and to benefit from the export of disease free products.

Consultation with the Australian Government's Department of Agriculture will be required to ensure compliance with Australia's biosecurity and quarantine requirements.

Outcome Sought

- An increase in the supply of food for local consumption, for tourists to take home and for export.
- Replacement of some foods currently imported.
- Increased food tourism.

Key Actions

- Action 15.1:** Give support to encourage the start-up of new food businesses, including interest-free loans and business advice.
- Action 15.2:** Facilitate tourist visits to local food producers, eg "paddock to plate" experiences
- Action 15.3:** Arrange for advice to be available on packaging of food so that it is suitable for tourists to take home, or for export.
- Action 15.4:** Reduce costs of inputs, such as electricity costs (as discussed elsewhere).

Key Opportunity

Changes to quarantine provisions will provide new opportunities for product diversification. Improvements in arrangements for freight and/or reductions in cost, will also increase opportunities.

Outcome Sought

- An increase in the range of food produced and exported.

Key Actions

Action 16.1: Work with the Australian Department of Agriculture to implement new quarantine provisions that will facilitate the importing of seeds and animals for breeding, and the export of food to the mainland and beyond.

Key Opportunity

Port improvements and new quarantine provisions will improve commercial fishing opportunities and the potential for exports.

Outcome Sought

- Increase the economic development opportunities associated with local fisheries

Key Actions

Action 17.1: Investigate local fisheries resources for small scale commercial development.
Action 17.2: Investigate aquaculture options for high value species such as red claw, marron, etc.
Action 17.3: Support recreational fishing market opportunities, such as fishing competitions.

Key Opportunity

There is scope for Norfolk Island residents to increase income earned from cottage industries.

Outcome Sought

- Provide tourists with better opportunities associated with craft and cottage industries.

Key Actions

Action 18.1: Provide cost-effective ways for local people to benefit from their craft and cottage industries, including through sales at the KAVHA site, the airport and to cruise passengers.
Action 18.2: Provide opportunities and venues for craft workshops for tourists
Action 18.3: Consider sponsoring craft specialists to visit the Island to conduct workshops for visitors and local people.
Action 18.4: Provide advice to cottage industries on ways to ensure their products meet quarantine requirements for export.

PRIORITISATION OF INFRASTRUCTURE AND OTHER EXPENDITURE

As part of the governance transition process, consideration will need to be given to prioritising infrastructure and other recurrent expenditure on the Island by the current Administration and a future Regional Council.

This will be needed, not just to support economic development, but to also ensure that the current needs of residents and visitors are addressed.

The following framework has been prepared to guide this decision-making process.



Framework for Assessment of Different Infrastructure Expenditure Priorities

Priority 1

Identify essential infrastructure that is needed now to ensure health and safety of current residents and tourists. Examples, clean water supply, safe and reliable electricity supply for key locations, airport is safe for current operations, port is safe for current operations, health facility meets the need for local services (and can provide emergency care pending transfer to another facility off island), and schools meet minimum standards. Key roads on the Island are safe to use.

Identify any costs and processes for ensuring that this essential infrastructure is upgraded if necessary to meet minimum standards.

Identify sources of funds: eg any assets of the Norfolk Island Government as at end June 2015, Australian Government grants or loans, user contributions (eg business and household for water and electricity).

Priority 2

Identify costs to maintain the essential infrastructure identified above over time, and recurrent sources of funding eg local government rates or charges, user pays, Australian Grants Commission funding.

Priority 3

Identify additional essential infrastructure (as above) necessary to accommodate specific increases in the population of residents and/or visitors, for example, increases of 20 per cent, 50 per cent and 100 per cent.

Identify any additional capital and recurrent costs required, and funding options.

Priority 4

Identify a range of capital works and associated recurrent funding that could be made available to attract additional tourists to Norfolk Island, and to support other economic development opportunities. These would include many of the items identified as “Key Opportunities” above, such as port development, improved communications, improved electricity generation and distribution facilities, establishment of a cultural centre, improved airport facilities, better town planning, road upgrades and an upgrading of tourist facilities at the KAVHA site.

In assessing the relative merits of these opportunities it would be useful to identify rough estimates of costs and benefits, with more detailed work to then be undertaken for the initiatives that are likely to generate the best returns.

This assessment would include cost-benefit analysis, with specific consideration being given to:

- Any risks to the Island’s environment, culture and heritage
- Potential broader benefits, such as use of ungraded port facilities to reduce freight costs, as well as provide for passengers disembarking from cruise ships.
- The way in which costs and benefits are distributed between residents and businesses.
- Risk analysis to assess the impact of changing circumstances, such as \$AUD exchange rate movements on tourist preferences.

MEASUREMENT OF SUCCESS

Indicators of success may include:

- Growth in the number of tourists visiting Norfolk Island, as well as sub-category indicators such as profile of tourists (wider age group, different interest groups, more tourists in the off-season)
- Growth in expenditure of tourists on Norfolk Island
- Growth in Income earned from cultural and heritage activities
- Increase in number of cruise ships and cruise ship passengers visiting the Island
- Positive feedback from visitors to the Island on their experiences (e.g. surveys, comments on Trip Adviser)
- Growth in income earned from agricultural activities on the Island
- Increased investment in new economic development
- Growth in the number of businesses
- Growth in number of permanent residents on Norfolk Island
- Growth in the proportion of permanent residents in the 20-40 age group.
- Increase in the proportion of the Island's population with post-school qualifications
- Improvement to water quality on the Island
- Improved environment (including waste disposal) and heritage protection measures
- Satisfaction of local residents with the impact of economic development activities on their culture and lifestyle.
- A more sustainable economy on the Island, with less reliance on ongoing funding from the Australian Government to underpin the delivery of essential services to the community.



