



**Norfolk Island Regional Council
Council Meeting - 7 July 2021
Interim Administrator's Statement
Preamble to adopting Operational Plan & Budget 2021/22**

Council is in a difficult position, trying to rectify the parlous financial position it finds itself in, whilst not over burdening local residents and visitors, so that it can recover sufficiently to meet the challenges that lie ahead.

The transcripts of the recent public inquiry give considerable insight. They contain repeated criticisms implied by the Counsel Assisting the Commissioner around the unwillingness of the elected Council to address the revenue shortfalls that happened each year, despite their power to do so. I am conscious of this position, and I am attempting to redress it for Council.

Council has received a healthy 37 submissions on the Draft Operational Plan for the 2021/22 year. I have read all of these submissions, and I have met with 10 individual submitters to gain a better insight into their submission and the community's impressions about the proposed revenue policy, and the rates and charges. I did this specifically to arrive at the best decision for Council moving forward during the Interim Administration period.

At the outset I need to make this comment, Council must and should raise sufficient funds to deliver fundamental services that its community needs and which they enjoy collectively.

Rates are a tax on the community to deliver services. They are not rent. They are a contribution towards service delivery.

Council provides services that far exceed the amount collected in rates. Road maintenance, parks and reserve maintenance, sporting field maintenance, community building maintenance, library services, tourism services, radio station operations, and cattle management. If not for Commonwealth funding, many of these services would need to be pared back or withdrawn altogether. That would make our community poorer, which it does not deserve.

The charges in the Operational Plan strike a balance between the resident and visitor populations. The business enterprises of the Council, being the Airport, Electricity, Telecom, and Wastewater services will now deliver small surpluses. This is crucial to pay for much needed capital replacement works, or to fund upgrades that have recently occurred.

I accept the community submissions on the electricity price increases are valid in saying that these charges are comparatively high. Council has already made approaches to the Commonwealth Government to help subsidise this service, as it does for the Indian Ocean Territories. Until this is approved, the community will need to meet the energy costs. We are on the path to lower electricity prices within the next few years, but we first need to upgrade crucial systems such as smart meters and inverters, which are now funded in this budget, before we can turn the corner to cheaper prices. The most important part of this program

upgrade is a review of the current moratorium on new solar systems being lifted later this year. An extensive report on this will be considered by Council in December 2021.

Having listened carefully to the Community submissions, and accepting that a 4 cent/kilowatt hour increase is a large impost on residents and businesses alike. I therefore propose to halve the proposed increase in the charge from four cents to two cents, resulting in a charge per kilowatt hour of 72 cents in 2021-2022.

There is a detailed report in this business paper addressing landing fees to bring the Airport operation into a balanced budget. Again, this is a difficult decision as it increases the cost of movement on and off the Island. This proposal takes the NIRC charges for a return trip up to almost \$132 per passenger before they even take their seat on the plane. This will make our airport tax one of the highest in Australia. But without it, the tickets would need to be subsidised - a decision beyond my powers as Interim Administrator.

The Waste Management charge has had the most commentary in the submissions from the community. During very detailed conversations with those that met with me this week, I received some sound suggestions. There was a strong focus on the efficiencies that Council could achieve by changing or improving our service delivery arrangements at the Waste Management Centre. Our General Manager has taken these suggestions on board and will be making changes over the next 6-12 months.

But that aside, I need to make clear what our decision regarding the increase in waste management fees is all about. We need to redress the situation of waste management here on Norfolk. We can no longer throw our waste into the ocean, and we need to continue to educate our community on separation and waste reduction. This new fee is a first step. Our process will mature, and we will continue to make changes as we develop. This will lead to reductions in current costs through better management of existing processes, but will seek to scale down and ultimately end disposal into the Ocean at Headstone over time which will incur further cost. Importantly, Council commits to new initiatives over the short and medium term to better deal with the biggest challenge we face as a community.

I want to make a couple of important points about the waste management system we are adopting today. It is designed to reward those residents and businesses that manage their waste effectively. The system is designed for those who do not use all their ticket allocations to seek reimbursement for any unused tickets. We encourage the community to do the right thing with waste management, innovate rather than find ways around the system. We can regulate in other ways, but we are trying to reduce our waste, not just find other ways of disposal. The second point is, those that create more waste will pay more than just the waste management charge. Once they have used their allocation, the user pays system kicks in further and more tickets will be required.

During my meetings with submitters, a consistent theme was raised around the levying of waste charges on a tourism sector with uncertain, and at times low, occupancy rates. I recognise that the ticketed cost of waste disposal has increased at the gate. In recognition of these factors, I intend to increase the allocation of tickets for accommodation businesses on payment of the community waste management charge by an additional four tickets per bed.

This will assist accommodation businesses in continuing to utilise the waste management centre to its fullest, or where occupancy and/or waste generation is low, allow for a meaningful rebate on unused tickets.

The most comprehensive submission I received around the waste management fee was from the ATA. They put a considerable amount of time and thinking into their submission, and I want to publicly thank them for this.

I received a thorough submission from the Cattle Association about the increase to the cattle tag fee. The Association represents the oldest industry on the Island, and I appreciate the time they took to make representations to me. Although I seriously considered deferring the increase in this fee, on reflection, I could not find that sufficient grounds existed to single this fee out for any more sympathetic consideration than others that are proposed to rise in 2021-2022. Like all the other fee increases I am introducing to this year's budget, this fee increase is needed to partially offset the costs of Council's operations. Although there are some historical implications, cattle growing is fundamentally a commercial enterprise, and after close scrutiny, I have decided that it should not be subsidised by the community.

A clear message I received from the community through the submission process was a plea to reduce expenditure. From shutting services down, improving productivity, removing positions that are not needed, and outsourcing to locally based operations. I have done exactly this within the existing budget by setting a target for the General Manager to achieve a 5% efficiency gain and 5% service review. This will be a difficult challenge, equating to millions of dollars, but one that is needed.

Whilst the revenue increases are across the board for the 2021/22 year, they represent approximately one quarter of the value of overall changes to this budget. Conversely, the proposed efficiency gains and service review represent three quarters of the value of the overall changes. When reporting to the Assistant Minister, this approach will highlight that the organisation is doing most of the change program, which is long overdue.

Finally, 'communication' was raised by many people during my conversations. It is incumbent on Council to be open, honest, and transparent in its dealings with the community. Whilst it may seem that we have been quiet on that front for the past few months, it must be highlighted that the public inquiry has consumed considerable resources to meet its requirements. The process consumed more than 750 hours of staff's time. This is not an excuse, but rather an indication of our focus for the past few months.

With that process behind us, we will now focus on informing the community about the adopted Operational Plan. To that point, I announce today that Council will be producing a monthly newsletter for the community, that represents our focus on delivering news of Council projects, programs, and information. In time, we will also revamp our website, and develop our social media platforms.

We have a very full program ahead for the Council team, and one that will start to redress our financial position in line with the Assistant Minister's requirements of my appointment.

I will be writing to everyone who made a submission on the 2021-2022 Operational Plan and Revenue Policy to thank them for their genuine interest in NIRC's future success.

Finally, I am requesting that this statement be incorporated into the Minutes of this Council meeting.

Mike Colreavy
INTERIM ADMINISTRATOR
7 JULY 2021