

FEDERAL GOVERNMENT TO BLAME FOR IMPENDING SOCIAL AND ECONOMIC DISASTER ON NORFOLK ISLAND.

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The governance changes imposed on Norfolk Island by the Federal Government mandates that Federal and State functions become the responsibility of the Federal Government, and local functions become the responsibility of the Norfolk Island Regional Council (NIRC).

Norfolk Island has one main industry, tourism. This is primarily a state function throughout Australia, and therefore primarily the responsibility of the Federal Government.

The Federal Minister with responsibility for Norfolk Island, Fiona Nash, says she considers tourism promotion to be a local function and has refused to accept responsibility for funding tourism promotion.

“There is no Federal economic strategy for Norfolk Island. And the Turnbull Government has maintained its position that it will not provide any funding for the promotion of tourism,” said Norfolk Island Accommodation and Tourism Association President Rael Donde.

“That means the local economy is facing an economic and social disaster,” Mr Donde said.

“The Norfolk Island Regional Council (NIRC) is insolvent and unable to raise sufficient revenue from the local community to adequately fund tourism promotion.”

“The private sector is on the verge of economic collapse and not in a position to effectively fund tourism promotion for the whole island.”

Norfolk Island Tourism (NIT) is a local government entity charged with operational responsibility to promote tourism to Norfolk Island. The 2015-6

budget for NIT was a rock bottom \$1.3 mil, which was insufficient to fund the right level of tourism promotion.

The 2016-7 budget for NIT was slashed to just \$1.1 mil, and even this is not assured. This budget is wholly deficient. There is no approved budget for 2017-8 or subsequent years, leading to uncertainty and stifling investment.

In August 2016, the Norfolk Island Accommodation and Tourism Association (ATA) proposed an annual NIT budget of \$3-mil to Minister Nash, as well as other constructive recommendations in a submission dated 23 August 2016, to revitalize the tourism industry.

This detailed line item budget proposal was dismissed without any discussion whatsoever, and based on Minister Nash's response of 17 October 2016, revealed much confusion within her department.

She mistakenly thought that it was an application for a grant to the ATA, and lacked detail. In fact, the entire submission was dismissed without discussion or request for clarification.

"The ATA, the Chamber of Commerce, and others have consistently warned Minister Nash that without adequate tourism promotion funding, there will be grave economic and social consequences for everyone living on Norfolk Island," Mr. Donde said.

These warnings have been consistently ignored.

Minister Nash's assertion in her letter of 17 October 2016 that "building a tourism sector requires more than advertising and promotion" is correct. However, without adequate advertising and promotion, a tourism sector is not even possible.

The impact of this insufficient funding has resulted in minimal tourism promotion by NIT in several areas, including New Zealand.

After 69 years of flying from New Zealand to Norfolk Island, Air New Zealand announced in December 2016 that it was ceasing its Auckland to



Norfolk Island service from May 2017. New Zealand visitors currently represent 18% of the Norfolk Island tourism market.

“Without a replacement carrier, this important market will vanish, as New Zealand visitors will not spend 8 hours to fly to Norfolk Island via Australia,” Mr. Donde said.

Air New Zealand will also suspend its second weekly flight out of Brisbane for several months of the year.

“The combined impact of these changes will result in visitor numbers falling from approximately 26,000 in 2016-7 to less than 20,000 per annum in 2017-8, which will cause catastrophic contraction of the economy, loss of jobs and social despair,” Mr. Donde said.

Norfolk Island Airlines, using aircraft and flight crews from Air Nauru, has applied to service the Brisbane to Norfolk Island, and Auckland to Norfolk Island routes. We are not aware of any other carrier expressing interest. However, the Federal Government still has not removed the anti-competitive \$500,000 bond requirement for new carriers to Norfolk Island, which is a significant barrier to entry. Air New Zealand was exempt from this requirement.

“This is a time when the Federal Government should be actively doing all it can to facilitate a solution to this pending economic crisis. Instead, it is doing just the opposite. It is exacerbating the situation by the sudden and substantial changes being introduced on the island by the Federal Government, which will further de-stabilize the economy.”

Cancellations from New Zealand have already begun, and the viability of many tourism events is hanging in the balance. New bookings from New Zealand for travel to Norfolk Island beyond May 2017 have ceased. Time is of the essence to resolve this situation, but there appears to be a lack of urgency from Government.

Norfolk Island Airlines has considerable experience in marketing Norfolk Island. It has indicated that their purpose will be to fill flights, not escalate



fares. They also have an existing freight system. They have access to a worldwide reservations system.

“If retaining an Auckland service, and providing competition on the Brisbane route, together with adequate promotional funding, results in visitor numbers climbing back to 35,000 per year or more, the Norfolk Island economy will begin to recover” said Chamber of Commerce President, John Brown.

In the absence of any other contender, and an unwillingness by the Federal Government to underwrite and promote an Air New Zealand service from Auckland, the NIRC and the Federal Government need to publicly support the Norfolk Island Airlines proposal, ensure that funding is equitably shared across both airlines, and take all necessary action to cause the repeal of the \$500,000 bond requirement, or reduce that bond to no more than one month of anticipated airport charges. The Federal Government needs to act swiftly to avoid a pending economic and social crisis of its own making.

“The Federal Government bears responsibility for de-stabilizing the tourism industry - it needs to urgently exercise its responsibilities with respect to tourism and economic sustainability on Norfolk Island,” Mr. Donde said.

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