MINUTES OF THE MEETING OF THE LORD HOWE ISLAND BOARD

MEETING HELD ON LORD HOWE ISLAND ON

Monday 28 May & Tuesday 29 May 2012

Present:  Mr A Henchman (Chair - AH)
          Mr B Nichols (Deputy Chair - BN)
          Ms L Makiiti (Member – LM)
          Mr J Angel (Member - JA)
          Mr G Crombie (Member - GC)
          Ms J Riddle (Member - JR)

Apology:  Mr R Pallin (Member - RP)

Board staff present at all sessions included Mr Stephen Wills (Chief Executive Officer - SW), Mr Bill Monks (Manager Business & Corporate Services – BM), Mr Nicholas Holt (Manager Infrastructure & Engineering Services – NH) and Mr David Kelly (Manager Environment & Community Development – DK).

The Board’s external Planning Consultant, Ms Michelle Chapman (MC) from All About Planning, attended the morning session on 28 May and all sessions on 29 May 2012.

The Chair welcomed the members of the public gallery to the Open Session.

The Closed Session commenced at 12:10 pm at the Public Hall on Monday 28 May 2012 and closed at 5:38 pm.

The Open Session commenced at 9.02 am at the Public Hall on Tuesday 13 May 2012 and closed at 12:45 pm, and was attended by approximately 20 members of the general public.

Unless otherwise specified, all Board decisions were unanimous.

1 Minutes of Previous Meeting

The Board noted that the Minutes of the previous meeting held in March 2012 had been endorsed with amendments in accordance with current procedures.
2 Out of Session Matters

The Chief Executive Officer advised the meeting that there were no Out of Session items dealt with since the last Board meeting in March. An out of session meeting was held on 18 May 2012 at which 3 matters were considered:

1. Nursery Strategic Options – approved with detailed review at the September 2012 meeting,
2. Draft Fees & Charges Schedule – endorsed for inclusion in 2012/13 budget, and
3. Vehicle Policy – policy to be amended for presentation at May 2012 meeting.

The Board members noted the information provided in the Out of Session paper.

3 Actions Arising from Previous Meeting – Status Report

AH stated that most of the items had been completed, or were being dealt with at this meeting.

SW noted that:

- The Business Licensing Policy is in progress,
- The Cruise Ship Policy is being discussed with various groups, and
- A paper will be presented at the September Board meeting on the impacts of the continuing use of Talon.

BN asked if the people coming ashore from the ship coming to the Island for the transit of Venus would have to pay the Environmental Levy.

SW replied that they wouldn’t because it is classed as a scientific visit, not a tourist visit.

GC stated that if passengers are paying for their passage then they should be required to pay.

SW stated that he would look into the matter.

The Board members noted the information provided in this report.

4 CEO's Report

The CEO gave an overview of the Report as summarised in the table below.

<table>
<thead>
<tr>
<th>MATTER</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance Review</td>
<td>The Premier appointed the Hon Murray Gleeson AC to conduct a review of governance arrangements on the island. Mr Gleeson visited the island in April and will prepare a report for the Premier which is scheduled for completion by 30 June 2012.</td>
</tr>
<tr>
<td>NSW Coastal Management Program Grant</td>
<td>The Minister for the Environment has notified the Board that it was successful in obtaining a grant through the NSW Coastal Management Program Grant to prepare a Coastal hazard study. The study will identify potential risks, e.g. property, infrastructure, environmental and public safety, from coastal processes.</td>
</tr>
<tr>
<td>Island Forum</td>
<td>The first Australia’s Small Island Forum was held on the island in May. The forum attracted representatives from Australia and international islands to share experiences and discuss future challenges and opportunities.</td>
</tr>
<tr>
<td>Category B</td>
<td>The Board has been directed by the Minister under section 10 of LHI Act to defer completion of Category B dwelling process until Gleeson governance review is completed. The Board is currently preparing a new policy to guide future dwelling allocations.</td>
</tr>
<tr>
<td>Training</td>
<td>The Board has developed a partnership with TAFE to provide formal qualifications for Board staff in Conservation Land Management - Certificate 3 Qualification. The program may be extended to the community.</td>
</tr>
<tr>
<td>Rockfest</td>
<td>In March Rockfest, organised by Big Music Australia, was held on the island. Rockfest included a number of community concerts and school program was supported by the Board. Planning for a future event has commenced.</td>
</tr>
</tbody>
</table>

JR asked if the star pickets at Blinkenthorpe Beach had been capped.

NH replied that he would take immediate action to do so.

LM asked if the Coastal Grant funding could be used to include consideration of aspects of an airstrip extension.

SW replied that it could.

GC asked if the rodent program would lead to leaseholders being obliged to take action to remove rodents from their lease, as they do with weeds.

DK replied that they would.

GC stated that the Board may not be undertaking the eradication for quite some time, but in the interim the Board may be asking leaseholders to do something that they are quite incapable of doing.

SW stated that it is not the intention of the Board to take action against leaseholders, but rather to support and assist them in their efforts.

GC asked that, in relation to the advertised position of Bush Regeneration Supervisor, if the position ceases to exist when the grant funding for it ceases.

SW replied that it does, as it is only a temporary appointment.

The Board members noted the information provided in the Chief Executive Officers Report.

5 Financial Impact Report for Proposals on Agenda

AH advised the meeting that the Board had dealt with this matter in the Closed Session. He added that there had been a significant decrease in Nursery sales, and that the Board was addressing this issue.
6 (i) **Motor Vehicle Status Report**

The Chief Executive Officer gave an overview of this paper, advising that since the last Board meeting four applications to import or transfer motor vehicles were determined by the Chief Executive Officer under the ‘Vehicle Importation, Transfer and Use Policy’ (see table below), and that there has been no increase of vehicles approved for importation to the island since the last Board meeting.

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Vehicle Type</th>
<th>Preferred Vehicle</th>
<th>Use</th>
<th>Variation</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Retmock</td>
<td>Honda Scooter</td>
<td>N/A</td>
<td>Private</td>
<td>0</td>
<td>Approved 13/03/2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Replacement vehicle.</td>
</tr>
<tr>
<td>Jim Fitzgerald</td>
<td>Suzuki APV</td>
<td>No</td>
<td>Commercial</td>
<td>-1</td>
<td>Approved 2/04/2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Replacement vehicle.</td>
</tr>
<tr>
<td>Sharon Van Gelderen</td>
<td>Hyundai 130C Wagon</td>
<td>No</td>
<td>Private</td>
<td>1</td>
<td>Approved 2/04/2012</td>
</tr>
<tr>
<td>Ron &amp; Daphne Matthews</td>
<td>8-9 Seat Van</td>
<td>No</td>
<td>Commercial</td>
<td>0</td>
<td>Approved 11/04/2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Replacement vehicle.</td>
</tr>
</tbody>
</table>

The Board members noted the information provided in the paper.

6 (ii) **Vehicle Importation and Use Policy**

The Chief Executive Officer gave an overview of this paper, advising that:

- The importation and use of vehicles on Lord Howe Island has been identified as an area requiring regulation and management,
- In December 2006 the Board adopted the Vehicle Use, Importation and Transfer Policy to guide the management of vehicles on the island. The policy states that “the Board will manage vehicle importation to reduce the number of vehicles on the island, and the frequency and intensity of their use, to ensure that the impacts of vehicles and traffic on the island are minimised”;
- Despite the stated intent of the policy vehicle numbers have steadily increased since its introduction. The Board established a Vehicle Management Working Group (VMWG) to develop and implement a holistic approach to vehicle management on the island,
- At the March 2012 meeting the Board considered a draft of the updated policy. At the meeting the Board concluded that it was apparent from the discussion that the Administration has not gone far enough with this draft policy, and requested that members provide written comment to the Administration by the end of the month”;
- The draft policy presented today reflects suggested changes to the previous draft policy, such as:
o Definition of and eligibility for pedal assisted electric bicycles,
  o Banning of bull-bars,
  o Use of electric vehicles,
  o Fees and charges, and
  o Justification of need for a vehicle.

JA stated that the new draft of the policy was a significant improvement.

GC stated that the objective of the policy should be changed from “reduce the overall number” to something like “work towards reducing the overall number”.

AH stated that, in regard to definitions, the policy should make clear that a private vehicle can be used for commercial use, but a commercial vehicle can only be used for private use if the owners do not have a private vehicle.

It was moved JA and seconded BN that the Board
  1. Endorse the draft policy and place on public exhibition for 28 days, and
  2. Consider the final policy for approval at September 2012 meeting.

The Board then adopted the recommendations.

7 (i) Development Applications Determined Under Delegated Authority

The Chief Executive Officer advised that one application had been determined under Delegated Authority:

<table>
<thead>
<tr>
<th>DA</th>
<th>Applicant</th>
<th>Site</th>
<th>Proposal</th>
<th>Zone</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA2012-11</td>
<td>Judy Riddle</td>
<td>Portion 18</td>
<td>Renovation of existing dwelling and addition of bedroom and ensuite.</td>
<td>Zone 2 Settlement</td>
<td>Approved 14/05/2012 Subject to 11 conditions.</td>
</tr>
</tbody>
</table>

The Board members noted the information provided in the Development Applications Determined Under Delegated Authority paper.
### Owner Consent Applications Determined Under Delegated Authority

The Chief Executive Officer advised that five applications for Owners Consent had been determined under Delegated Authority:

<table>
<thead>
<tr>
<th>OC</th>
<th>Applicant</th>
<th>Site</th>
<th>Proposal</th>
<th>Zone</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>OC2012-17</td>
<td>Di Owens</td>
<td>Lot 2 DP1151473</td>
<td>Construct double garage over existing concrete slab which will be attached to the Infrastructure building.</td>
<td>Zone 2 Settlement</td>
<td>Approved 11/05/2012</td>
</tr>
<tr>
<td>OC2012-19</td>
<td>Esven Fenton</td>
<td>Portion 300</td>
<td>Installation of solar panel system.</td>
<td>Zone 2 Settlement</td>
<td>Approved 8/05/2012</td>
</tr>
<tr>
<td>OC2012-20</td>
<td>Capella Lodge</td>
<td>Portion 142</td>
<td>Installation of solar panel system.</td>
<td>Zone 2 Settlement</td>
<td>Approved 8/05/2012</td>
</tr>
<tr>
<td>OC2012-21</td>
<td>Ian Kerr (for Dept of Trade &amp; Investment)</td>
<td>Customs House</td>
<td>Installation of solar panel system.</td>
<td>Zone 2 Settlement</td>
<td>Approved 17/05/2012</td>
</tr>
<tr>
<td>OC2012-22</td>
<td>Chris &amp; Margaret Murray</td>
<td>Portion 354</td>
<td>Installation of solar panel system.</td>
<td>Zone 2 Settlement</td>
<td>Approved 17/05/2012</td>
</tr>
</tbody>
</table>

The Board members noted the information provided in the Owner Consent Applications Determined Under Delegated Authority paper.

### DA2012-13, Elliott, Construction of a Garage and Consolidation of Portions 9 & 305

GC declared a conflict of interest as his mother is a co-applicant, and left the room while this agenda item was considered.

MC gave an overview of this paper, and recommended that the Board approve the development application subject to 11 conditions.

It was moved JR and seconded LM that the development application be approved subject to 11 conditions.

The Board then adopted the recommendations.
7 (iv) DA 2012/10, Construction of a Backup Generator Facility

MC gave an overview of this paper, and recommended that the Board approve the development application subject to 15 conditions.

It was moved BN and seconded JR that the development application be approved subject to 15 conditions. The Board then adopted the recommendations.

7 (v) Update Report – DA 2012/12: Construction of a Detached Preschool on Portion 61

MC gave an overview of this paper, advising that:

- The updated report on the subject development application is provided to the Board for their information, given the high level of community interest in the application and given the LHIB’s recent referral of the application to the NSW Heritage Office,

- The proposed development involves the construction of a new community preschool on vacant land at the rear of the public hall on Portion 61. The hall is located on the corner of Neds Beach Road and Lagoon Road. The community preschool will have a primary frontage to Lagoon Rd,

- The site adjoins settlement, special use and environment protection zoned land. Relevant surrounding uses include use of an old packing shed for staff accommodation and a self contained unit on Portion 208/209, a restaurant and bakery on Portion 199 and the existing powerhouse building on Portion 44,

- The site is partly occupied by the LHI Public Hall, a Heritage Item listed on Schedule 2 of the LHI Local Environmental Plan, 2010. The subject development application is supported by a Statement of Heritage Impact prepared by Perumal Murphy Alessi, Heritage Consultants which is dated March 2012,

- A preliminary planning review of the proposed preschool has identified a number of issues concerning the proposed development, such as:
  - On-site parking,
  - Separation between new and existing elements,
  - 10 metre front setback requirement, and
  - Sewage treatment and disposal.

- A full assessment has not yet been completed and will need to take into account comments from the NSW Heritage Office. It is considered that these issues can be resolved through either submission of amended plans and/or imposition of conditions of consent,

- Before this development proposal is finalised resolution of a number of outstanding issues is required. In addition, the development application needs to be re-advertised for 30 days and the advice of the NSW Heritage Office obtained, and

- The matter will be determined once the current exhibition period is completed and advice from the Heritage Office is provided. It is anticipated that the matter will be determined out of session as the next public meeting will not be held until September.

The Board members noted the information provided in the Report.
8 (i) Review of Dwelling Allocation and Entitlement Policy (2012 to 2016)

The CEO gave an overview of the paper, advising that:

- The LHI Local Environmental Plan 2010 (LEP), places a limit on the number of dwellings for which consent may be granted by the Board. Under Clause 26 of the LEP, consent may not be given for more than a total of 25 dwellings during a period of 20 years, commencing on 28 October 2005. The Dwelling Allocation and Entitlement Policy 2005 – 2010 is the current mechanism the Board uses to guide the application of the quota.

- While the LEP includes a maximum dwelling quota of 25 new dwellings to 2025, the existing policy only sets out specific allocation and entitlement standards for the first 5 years for an initial 12 new dwellings.

- The Board previously resolved to implement the quota established under the then REP (now LEP) by releasing land in the following pattern:
  
  1. 1st five-year period (Allocation Round 1) - 12 dwellings
  2. 2nd five-year period (Allocation Round 2) - 5 dwellings
  3. 3rd five-year period (Allocation Round 3) - 5 dwellings
  4. 4th five-year period (Allocation Round 4) - 3 dwellings

- At the May 2012 meeting the Board agreed that a new draft policy be prepared for consideration by the Board. At this meeting a number of options for inclusion in the policy were considered, such as:
  
  o In order to prevent the occurrence of absentee dwelling owners resulting from the allocation of new dwelling entitlements under the policy, a number of conditions be introduced,
  
  o Specific provisions to enable conversion of an existing building to avoid misuse of the dwelling entitlements and ensure that new dwelling are constructed for islanders living on the island and contributing to the community,
  
  o Acknowledgment that the communities desire to promote and develop opportunities that home and community care (as opposed to a centralized aged care facility operated by the Board). This was identified in the research conducted by Dr Lee Wilson (University of Sydney) and the outcomes of the LHI Community Strategy,
  
  o Eligibility criteria and the demonstration of need, and
  
  o Housing for the aged on the Island.

JR stated that successful applicants ought to be required to physically live in the dwelling immediately and for a considerable period, and not be eligible for exemption to be absent from the Island for educational or other reasons.

JA stated that the policy required more objective filters on eligibility prior to getting to the ballot process, as it’s humanly impossible to go through all the social and economic circumstances that apply to applicants and make the fairest decision. He added that eligibility and capacity to live on the Island needed to be tested further.

BN stated that he was totally in favour of putting stringent eligibility criteria in place, but once applicants have met the criteria, there shouldn’t be anyone “more eligible” than anyone else – there then has to be a ballot.
GC stated that:

- In regard to eligibility, there doesn’t seem to be a limit on the number of family members that can have an application in a round, such as a wife and husband both having an application in a round,
- In regard to demonstrated need, applicants must demonstrate that they need a house immediately, not just in the future,
- In regard to dwelling numbers, they should be phased as suggested, and
- In regard to housing for the aged, are “incidentally new” dwellings going to be created – not for the aged, but when the aged pass on? The Board needs to assess that impact, and how the dwelling will be allocated in the future.

BN suggested that the Board consider deciding Category A applications as and when they are made, rather than in tranches, as this would avoid building “rushes”.

AH stated that the supply of land is the key, and most controversial, issue. He added that the Board needed to consider whether there is vacant crown land that is available, and what arrangements the Board might put in place in regard to private negotiations between individuals.

The Board members noted the information provided in the paper.

8 (i) (a) Category B Dwelling Allocation Update

The CEO gave an overview of the paper, advising that:

- In March 2012 the Premier announced a review of governance arrangements on Lord Howe Island, to be conducted by the Hon. Murray Gleeson AC.
- On 21 May 2012 the Board received correspondence from the Minister for the Environment directing the Board, in accordance with section 10 of the Lord Howe Island Act 2012, to defer the Category B dwelling allocation process and ballot. The Minister noted that although Mr Gleeson noted that land allocation issues are not within the scope of his review, that this issue may be raised during the consultation undertaken for the review. The Minister directed that the process be deferred until after completion of Mr. Gleeson’s review.
- The deferral of the Category B process will delay finalising the new policy to guide the future allocation of dwelling entitlements which is currently being developed.

LM suggested that the Board approach the Minister with a view to allowing the Category B allocation process to progress.

AH stated that he did not think this was a matter for the full Board, but rather one for the local members to follow up if they wished.

GC stated that it is the responsibility of the local members to respond to the Minister.

The Board members noted the information provided in the paper.
8 (ii) **Bi-annual Planning Assessment and System Audit**

MC gave an overview of the paper, advising that:

- The bi-annual assessment and systems audit covers the half year from 9 November 2011 to 18 May 2012 and analyses DA and OC application assessments and the planning system on Lord Howe Island,
- The report is based on data obtained from the Planning Assessment and Advice register, maintained by All About Planning and supplemented as required from the LHIB computer and file records. The report advises total current application numbers, determinations, value of development, current application processing times and internal referral times,
- As part of the Consultant Planner’s contract with the Lord Howe Island Board, an audit of planning and assessment systems is to be reported to the Board in May and December each year. The audit aims to ensure that systems are up to date and compliant with legislative and procedural requirements, and reflect best practice, and
- DA processing time from Lodgement to Issue of Notice of Determination averaged 25 days.

AH asked, in regard to the Action on Previous Resolutions, if quarterly notices had been placed in the Signal advising interested persons of the opportunity to hold a pre-lodgement meeting with MC.

MC replied that this had not been happening.

AH stated that there had been some significant delays for DAs due to Board processing times.

SW replied that there were a couple of determinations that were not issued in a timely fashion, but action had been taken to prevent a recurrence.

The Board members noted the information provided in the paper.

8 (iii) **Review of Significant Native Vegetation Mapping**

DK gave an overview of the paper.

GC asked if the review had addressed the issue of the spread of Significant Native Vegetation (SNV) as, in some cases, the spread of SNV had resulted in shading over adjoining properties.

DK replied that SNV can be cleared around approved buildings without approval.

The Board members noted the information provided in the paper.

8 (iv) **Quarantine Management**

DK gave an overview of the paper.

The Board members noted the information provided in the paper.

9 **Finance Report**

AH advised the meeting that the Board had dealt with this matter in the Closed Session.
10 Leasing & Land Administration

AH advised the meeting that the Board had dealt with this matter in the Closed Session.

11 Review of ICAC Recommendations

The CEO gave an overview of the paper, advising that:

- In September 2011 the ICAC visited Lord Howe Island, on invitation of the Board to meet with the Board members and conduct training sessions for Board staff and managers,

- The Commission stated that it has been aware since its review of the Lord Howe Island Board in 2001, that the Board's key governance issue is the management of conflicts of interest. The Commission's recent visit confirmed that, although formal governance arrangements have improved in the last decade, this issue continues to be problematic at every level of the Board's operations,

- During their visit, Commission officers also provided some practical advice to the Board to assist in the management of conflicts of interest experienced by Board members and staff,

- The commission noted that the advice presented options for the LHIB to consider. The Commission appreciates that implementing any of them will take resources and that a cost-benefit analysis of each will help identify which ones should be a priority,

- It was agreed at the November 2011 meeting that the Administration should, on a 6 monthly basis, report to the Board on progress implementing the ICAC advice and ongoing improvements to governance,

- A report, as requested by the Board, is presented in Attachment 1 which includes a summary of recommendations to be implemented, the priority of each recommendation and progress on implementation, and

- The Administration will write to ICAC to inform of recent progress to improve governance. An updated report will be presented to the Board at the November 2012 meeting.

GC enquired as to whether opportunities to develop short term employment contracts had been explored.

SW replied that there is review of governance arrangements underway and, as part of that big picture, some opportunities may arise.

The Board members noted the information provided in the paper.

12(i) Electricity Tariff and Energy Supply Road Map Funding

In regard to the Energy Supply Road map NH advised that:

- At the November 2011 LHI Board meeting the LHI Board approved the LHI Energy Supply Road Map. The LHIB Administration advised that following approval of the Road Map the LHIB Administration would commence developing a funding strategy to deliver the Energy Supply Road Map including investigating funding options including access to government grants, capital funding and private equity investment. Further the LHIB Administration advised that it would commence investigating the implementation Time of Use Tariffs,
Since the November 2011 Board meeting the LHIB Administration has undertaken significant financial modelling to determine a funding strategy to enable the implementation of the Road Map.

A detailed analysis over a 15 year period was undertaken to calculate the cost of developing and running the LHI Electricity system based on implementing the Energy Supply Road Map. Two scenarios were evaluated to compare “business as usual” and the implementation of the Road Map.

Results of the analysis show that LHIB will be in a significantly better financial position at the end of the 15 year period with the implementation of the Road Map.

The proposed funding mechanism for the implementation of the Road Map are:

1. All Road Map Capital costs sourced through external funds including NSW Capital Works funding, CSO subsidy and NSW Treasury Loans;
2. Loan repayment costs will be factored into Electricity Tariffs
3. Achieves the objectives of the LHI Energy Supply Road Map being 65% Renewable Energy

A summary of the key aspects of the analysis is as follows:

<table>
<thead>
<tr>
<th>Road Map</th>
<th>Current system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost to run the system over 15 year period</td>
<td>$ 29,317,425</td>
</tr>
<tr>
<td>Capital Cost</td>
<td>$ 5,672,000</td>
</tr>
<tr>
<td>Loans Cost</td>
<td>$ 3,956,834</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>$ 4,989,575</td>
</tr>
<tr>
<td>costed depreciation</td>
<td>$ 2,739,074</td>
</tr>
<tr>
<td>Fuel Costs</td>
<td>$ 11,959,942</td>
</tr>
<tr>
<td>Network cost</td>
<td>$ 0.4661 per KWh</td>
</tr>
<tr>
<td>Consumption Cost (fuel cost / kWh)</td>
<td>$ 0.3212 per kWh</td>
</tr>
<tr>
<td>levelised cost of power over period is</td>
<td>$ 0.7873 per KWh</td>
</tr>
</tbody>
</table>

There were several assumptions that were made and applied for the analysis of both scenarios. Some of the key assumptions are:

- Forecast annual fuel price increase of 8% per year;
- CSO subsidy for electricity generation is set at $820,000 per year and continues for 7 years and then reduces to 0 over a 4 year period;
- Consumer demand grows by 1% per year. Further increases in consumption are offset by increase private grid connected renewable;
- NSW Government funds 50% of Renewable Energy Program;
- LHIB takes out low interest loans to fund its capital obligations under the Road map. The interest payable is factored into the costs. This reduces the short term financial costs to the LHIB during the early phases of the implementation of the road map and enables these costs to be effectively spread out over the 15 year period;

- New tariffs are introduced based on a network charge and a consumption charge (see details below);

- To identify under what circumstances it financially better not to implement the Road Map. The key factor in determining the cost vs benefit of the proposal is the cost of fuel. If the average annual increase in the cost of fuel over the 15 year period is less than 6.29% then the Levelised Cost of Energy will be lower maintaining the existing system than if the Road Map is implemented. The advantages of this funding arrangement are:
  - Enables the implementation of the Road Map;
  - Saves significant money over the long term for the Board;
  - Reduces the islands exposure to fuel price increases in particular fuel price spikes; and
  - Provides opportunity to negotiate a long term CSO subsidy strategy with the NSW Government,

In regard to electricity tariffs NH advised that:

- The LHIB Administration has previously committed to calculate the cost to maintain the electricity network and develop a tariff structure that improves the transparency in the establishment of electricity tariffs,

- The LHIB has undertaken a significant analysis of the future maintenance and capital improvements required to maintain the existing system for the next 15 years. Based on expected consumption over that period the LHIB has been able to establish a network charge ($/kWh to run the electricity system). This network charge does not include fuel costs so represents a cost to maintain the infrastructure. This includes accounting for up to 50% of annual electricity network depreciation costs. This network charge has been calculated to be $0.1410/kWh over the next 15 years,

- With the introduction of infrastructure associated with the implementation of the LHI Energy Supply Road Map the network charge increases to $0.4661/kWh over the same period,

- As the LHI Energy Supply Road Map has been approved by the LHI Board the LHIB Administration has prepared a proposed tariff structure that will enable the LHIB to fund the implementation of the LHI Energy Supply Road Map at a net zero cost to the LHIB’s financial position over the 15 year period,

- A new tariff structure should include a network charge component. The current network costs equates to $0.1410 per kWh and it is proposed to introduce a network charge of this amount and then over the 15 year period increase it in equal increments until the network charge equals the $0.4661 which is the network cost based on the Road Map implementation,

- The LHIB Administration has undertaken an analysis of the impact of these fees on individual consumers by taking the consumption figures from the 2010/11 financial year for each property and applying the current tariffs (2011/12) and proposed tariffs. The following table is a summary of the analysis.
Of note in the table above is the significant decrease in the tariff for Electric Vehicles. In the past the tariff was set very high to discourage electric vehicles because of inefficient battery technology. In recent years battery technology has improved significantly improving the efficiency of the batteries. This tariff change has been proposed to support the introduction of electric vehicles which is a recommendation of the Road Map. These vehicles are able to be used as energy storage and can be used through demand management practices to optimise renewable energy production.

JA stated that while this is a quantitative analysis, there are two very important qualitative factors; the first in regard to the huge reduction in fuel consumption and the protection against the risk of rapidly rising fuel prices and supply interruptions; and the second being that it would add to the environmental allure of the Island.

It was moved BN and seconded JA that:

1. The LHI Board approve the funding of its share of Capital Projects relating to the implementation of the Road Map through NSW Treasury low interest loans.
   The steps involved in this process following endorsement of this methodology being:
   Step .1 LHIB Administration to Investigate and draft loan agreement:
   Step .2 LHIB Board to approve loan agreement prior to execution

2. Should NSW Government not agree to fund the 50 per cent of the capital cost, then:
   Step .1 The LHIB Administration will renegotiate the loans to reflect the full Capital amount; and
   Step .2 The LHIB Administration will seek LHI Board approval of the revised loan amounts prior to execution.

3. Despite Item 1 above, the LHIB continue to source other funding opportunities to help reduce the financial cost to the LHIB.

4. The introduction of a new tariff system based on a network charge and a consumption charge as detailed in the paper. A policy of a net financial position of zero dollars over a 15 year period.
5. After three years the tariff structure is reviewed to consider Time of Use Tariffs, purchasing of power from private grid connected systems, review depreciation policy and consider the introduction of a Return of Investment policy in the pricing of tariffs.

6. Introduce a minimum network charge for domestic, pensioner, commercial and electric vehicle connections.

7. Remove the pensioner discount for commercial connections.

The Board members then adopted the recommendations.

12(ii) Powerhouse Rebuild Update

NH gave an overview of the paper, advising that:

- Following the fire in the Powerhouse on 13 November 2009 the LHIB Administration has been progressing activities relating to the construction of a new LHI powerhouse.

- Construction on the Powerhouse commenced in December 2011 with roadworks and earthworks. In February 2012 the builder, BDM Constructions commenced the building works associated with the Powerhouse.

- Since the May Board meeting the LHIB Administration has undertaken the following activities. The following is a summary of status of each of the activities:

  - **Design & Construction of Powerhouse**
    - Construction of the Powerhouse has continued and the building is due for completion on time in mid June.
    - There has been a significant delay in the delivery of the new substations that are required to enable the Powerhouse to connect to the LHI Grid. The new substations are now not expected to be delivered until October 2012. LHIB has had significant trouble getting suppliers interested in tendering for the work. LHIB has had further trouble getting the supplier to commit to deliver the substations by a due date. LHIB understands the main reasons for this trouble are:
      - Small order compared to normal contracts they undertake; and
      - The substations are not a standard size being 6.6kva as opposed to industry standard which is 11kva. This requires a special fabrication process.
    - The LHIB Administration sees an ongoing risk that the October delivery date may not be met due to the apparent reluctance of suppliers to undertake the work. The LHIB Administration is managing this risk by routinely contacting the supplier and questioning the status.

  - **Demolition of Old Powerhouse**
    - The delay in the delivery of the substations means that the existing Powerhouse cannot be decommissioned until the new substations have arrived, been installed and commissioned. This is likely to push the demolition of the old Powerhouse back in to November 2012. If delivery of substations occurs in October LHIB expects demolition works will be completed by end November;
    - It is to be noted that a DA is required for the demolition of the old Powerhouse. This DA is planned for LHI Board consideration at the September 2012 Board meeting; and
    - The duration for the demolition is currently estimated to be 3-4 weeks. This duration may be impacted by conditions of the Development Consent.
Since the May 2012 Board meeting there has been significant delays to the projected completion time for the project. Building works were delayed by two weeks due to bad weather causing delays to builders returning to the island in late April/early May. The building contractor is currently due to complete building works early June. LHIB has to complete electrical and hydraulic works these are currently scheduled for June but given the now significant delays with the substations there is flexibility in the program to complete these works during the months of June to September without impacting the commissioning date.

The Board members noted the information provided in the paper.

12(iii) Rodent Eradication Status Report

DK gave an overview of the paper.
BN asked what happens if the matching funding from the Australian Government is refused.
AH replied that the Board will consider that issue if and when it happens.
LM asked if there is anything on the LHIB website which could support the philanthropic approach.
SW stated that there wasn’t, but it was a good idea and will investigate.
It was moved JA and seconded LM that the Board:
   1. Note the information provided in the paper, and
   2. Endorse the establishment of a community working group.
The Board members then adopted the recommendations.

13(i) Workplace Health and Safety and Public Risk Management Update

The CEO gave an overview of the paper, advising that:

- the general trend of workplace injuries is lower,

- Actions taken to address the incidence of injury during the reporting period include:
  - Installation of mechanical bin lifters at the Waste Management Facility.
  - Review of safe work practices for staff working on roadsides.
  - Workplace OH&S is addressed at monthly staff meetings including review of Job Safety Analysis and Hazard Identification.

- In regard to public risk management, actions taken include:
  - Installation of mechanical bin lifters at the Waste Management Facility.
  - Review of safe work practices for staff working on roadsides.
  - Workplace OH&S is addressed at monthly staff meetings including review of Job Safety Analysis and Hazard Identification.

The Board members noted the information provided in the paper.
14(i) Community Development Update

The CEO gave an overview of the paper. He congratulated Lauren Douglass and Lee Rogers for their efforts and the excellent outcomes achieved at the Australia’s Small Islands Forum.

AH congratulated all involved in organising the Australia’s Small Islands Forum.

The Board members noted the information provided in the paper.

15 Interviews

AH informed the public gallery that the Board had met with a representative of the Lord Howe Island Tourism Association.

16 Site Inspection

AH informed the public gallery that the Board had visited the Kentia Palm Nursery.

17 General Business and Questions on Notice

GC asked if Mutton Bird road kill has been monitored.

DK replied that some basic data was being recorded.

A member of the public asked, in regard to the wastewater treatment, if Option 1 (a centralised treatment facility) could be revisited, as Option 2 (a decentralised treatment system of new or upgraded aerated wastewater treatment systems) was a nightmare.

SW replied that, after extensive consultation, the community had made it clear that Option 2 was its preferred option, and that the Board had decided on Option 2.

Public meeting closed 12:45 pm Tuesday 29 May 2012

Meeting Schedule: 3 to 4 September 2012

26 to 27 November 2012