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Committee Secretary

Joint Standing Committee on the National Capital
and External Territories

Department of House of Representatives

Parliament House

Canberra ACT 2600

Australia

**Inquiry into current and future governance arrangements for the
Indian Ocean Territories.**

The Cocos (Keeling) Islands Economic Development Association Inc has been informed that on 11 May, 2005, the Senate requested that the Joint Standing Committee on the National Capital and External Territories to conduct an inquiry into the current and future governance arrangements for the Indian Ocean Territories, being the Cocos (Keeling) Islands and Christmas Island, with particular reference to the points that are detailed below:

- (a) accountability and transparency of decision-making in relation to the Indian Ocean Territories;

- (b) the role of the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands;
- (c) aspirations of the residents of Christmas Island and Cocos (Keeling) Islands for more representative governance arrangements;
- (d) the link between more effective governance and improved economic sustainability for the Indian Ocean Territories;
- (e) the operation of Western Australian applied laws;
- (f) community service delivery including the effectiveness of service delivery agreements with the Western Australian Government;
- (g) proposals for reform of governance arrangements.

The Cocos (Keeling) Islands Economic Development Association Inc in relation to this inquiry has submitted the attached Submission. This Submission addresses the following point of reference:

- (d) the link between more effective governance and improved economic sustainability for the Indian Ocean Territories

The Cocos (Keeling) Islands Shire Council has submitted a detailed response that addresses the other points of reference.

R J Grant

President

**Cocos (Keeling) Islands
Economic Development Association Inc**

**The Link Between more Effective
Governance and Improved Economic
Sustainability for the Indian Ocean
Territories.**



Management Committee:

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INTRODUCTION

The Australian Indian Ocean Territories (“IOTs”) of the Cocos (Keeling) Islands (“CKI”) and Christmas Island (“CI”) are strategically located in relation to Southeast Asia. Both territories have unique cultures and environments, and when combined with dynamic leadership and direction, at the various levels of government, can develop sustainable economic development in the private sector which will contribute to:

- Improved standards of living to the IOTs’ residents.
- Improved level of services to the IOTs’ residents.

The form that the future governance for IOTs ultimately evolves to, will be based primarily upon the desires, the capabilities and capacity of the communities of these two non-self governing territories.

One factor that will have to be considered in the communities’ evaluation of the future governance alternatives will be, which model will be most suitable for sustainable economic development for the territories. In other words, point d) of the terms of reference i.e.

- (d) the link between more effective governance and improved economic sustainability for the Indian Ocean Territories;

The above will be addressed specifically in the context of the CKI, and in a general context for the IOTs..

2 THE COCOS (KEELING) ISLANDS ECONOMIC DEVELOPMENT ASSOCIATION INC.

2.1 The Cocos (Keeling) Islands Economic Development Association Inc (“CKIEDA”) was incorporated in June 2002. It has a management committee of seven persons, and the method of election/appointment to the management committee is detailed in the CKIEDA’s constitution, as is the appointment of the president and deputy president for the CKIEDA.

2.2 The objectives of the CKIEDA are:

- To promote economic development in the Territory
- To enhance business opportunities in the Territory
- To print, publish, sell and distribute and circulate pamphlets, advertisements, books, and publications of any kind as are calculated to promote and advance the objects and purposes of the Association
- To cooperate with other bodies having similar aims
- To liaise with the Christmas Island Economic Development Committee Inc to achieve common goals

2.2 The primary source of funding is provided by the Commonwealth through a funding agreement which makes available \$75,000 per annum for economic development projects. The current funding agreement is for one year only, with no indication that future funding will be made available. DOTARS’s Regional Office Perth administers payments from the \$75,000 based upon requests made by

the CKIEDA for projects which have been approved by the Administrator for the CKI.

- 2.3 The management committee of the CKIEDA meets four times a year. A detailed agenda is prepared for each meeting, with copies of the agenda being provided to the Administrator; the General Manager of DOTARS with responsibility for territories; and the Director of DOTARS' ROP. The agendas provide: statement of financial position; statement of financial performance; schedules of payments and receipts; bank reconciliation; project summaries and analysis.
- 2.4 The financial statements are audited by Howarths, an international firm of chartered accountants, in Perth, WA.
- 2.5 The CKIEDA distributes the *EDA Brief* to provide information on the CKIEDA's activities and other relevant information pertaining to economic development.

3 **KEY DATA**

3.1 **Cocos (Keeling) Islands.**

Land area 27 islands with a land area of 14 square kilometres

Lagoon area 140 square kilometres

Population 600

Distance from:

Perth, WA 2,700 kms

Christmas Island 900 kms

3.2 **Southeast Asia**

Population – 250,000,000 (approximately)

Distance from the CKI to Jakarta – 1000kms:

4 FUTURE ISSUES

4.1 Global warming

The most pressing issue that will affect the CKI, and therefore economic development, relates to the effects of global warming. It has been projected that globally sea levels will increase by approximately 1 metre by the year 2100. The highest point above sea level in the CKI is 4 metres.

Increased sea levels, which will lead to a reduction in land area, will have the following effects for the CKI:

- Impact upon the fresh water lens
- Reduction in land area for waste management operations
- Reduced area for human inhabitation
- Reduced area for land based economic activities

The effects of the increasing sea levels will be gradual, as will the impacts that flow from the increased sea levels.

Global warming may also impact upon severe weather patterns, which when combined with decreasing land areas, may have more severe impacts for the CKI than in the past.

4.2 Small Island Issues

Specific issues that relate to small islands that have to be addressed for the CKI include:

- Waste management
- Water resources
- Human resources issues, including housing, health services, education and training
- The provision of utilities and communications
- Air and sea transport
- Importation of goods
- Infrastructure

5 SUSTAINABLE ECONOMIC DEVELOPMENT STRATEGIES (“SEDS”) AND EVOLUTIONARY RESOURCE MANAGEMENT STRATEGIES (“ERMS”)

5.1 The IOTs have a niche market for economic development, using their unique cultures; proximity to Southeast Asia, and being Australian territories.

5.2 SEDS for the CKI has to be based upon the following points, which have been previously highlighted above:

- Recognition that the limited amount of land area, which is distributed over 27 islands, places finite restrictions upon SEDS.
- That the CKI possess a lagoon of an area of approximately. 140 square kilometres, and is surrounded by the vastness of the Indian Ocean.
- The proximity of Southeast Asia as a market for services, products and as a source for investment funds.
- The effects of global warming.
- Small island issues

It is essential that the form of government that evolves for the IOTs be able to address these pressing issues, not only in relation to economic development, but also for the delivery of broader community services.

- 5.3 SEDS in light of the above factors has to be transformed to become Evolutionary Resources Management Strategies ('ERMS'). The strategies for the management of the resources of the CKI has to become evolutionary in response to the factors identified in 5.2 above.
- 5.4 Economic development will ultimately be driven to ocean resources for the markets of Southeast Asia. The form that future governance for the IOTs takes, must be the one that provides the most effective and efficient structure to support such development.

6 CKIEDA PROJECTS

6.1 The CKIEDA based upon the requirement of ERMS has developed/supported the following projects:

- Marine Resources Projects
 - Trepang Project (Sea cucumber/ Beche de mer)
 - Black Lip Pearl Oyster Project
 - Clam Project
 - Tuna Farming Project

- Land Resource Projects
 - Coconut Oil Project
 - Horticultural Project
 - Mengkudu Project

- Tourism Projects
 - Pulu Cocos Resort
 - Commonwealth Tourism Project

6.2 An important part of ERMS is to integrate projects were possible, so that projects becoming in part mutually supportive e.g. tourism developing an oceanic direction; and the coconut oil project supporting the ocean resource projects.

6.3 A major part of the ERMS strategy is to develop a generic marketing image for the CKI i.e. the utilization of the term *Pulu Cocos* e.g. *Pulu Cocos Pearls*, *Pulu Cocos Coconut Oil* etc..

7 ECONOMIC PLANNING STRATEGIES

7.1 The CKIEDA has developed an economic planning strategy which has been attached to the Funding Grant Application lodged with the Commonwealth.

7.2 Based upon this planning strategy the CKIEDA has developed *Resources 2010*, a power point presentation, which provides a concise overview of the CKIEDA projects, future employment creation and education and training requirements.

7.3 The CKIEDA has prepared the following documents for economic development:

- Investment Guide to the Cocos (Keeling) Islands
- Coconut Oil Project – Business Strategy
- Developing Fisheries – Business Plan for Beche – de – mer
- Developing Fisheries – Feasibility Study for Black Lip Pearl Oyster
- Developing Fisheries – Feasibility Study for Tuna Farming
- Sustainable tourism development in the Cocos (Keeling) Islands

7.4 In the past the following economic development studies have been undertaken on behalf of the Commonwealth in relation to the Cocos (Keeling) Islands.

- Planning for Tourism in the Cocos Islands – Prepared by Pacific Asia Travel Association, 1991

- Cocos (Keeling) Islands Development Strategy – Prepared by Unisearch, 1994
- Cocos (Keeling) Islands Regional Analysis – Prepared by the Bureau of Transport Economics, 1998

Although each of these reports contributed valuable information for economic development, the implementation of these reports into tangible economic development, has been disappointing, and little has been achieved.

These have been complemented by a range of additional reports e.g.

- The three Commonwealth Grants Commission reports (1986,1989 and 1993)
- The Commonwealth Grants Commission Report on the Indian Ocean Territories (1999)
- The House of Representatives Standing Committee on Legal and Constitutional Affairs, “Islands in the Sun – The Legal Regimes of Australia’s External Territories and the Jarvis Bay Territory (1991)
- Joint Standing Committee on the National capital and External Territories – Delivering the Goods (1995)

7.5 The CKIEDA has since June 2004, been liaising with SGS Economics and Planning who have been appointed by the Administrator of the CKI/CI to prepare a “Strategic Plan for the Economic Development for the Indian Ocean Territories”. In December 2004, the CKIEDA received a “Draft Action Plan for the Cocos (Keeling) Islands” which it commented upon. As at the date of this Submission, no

final “Strategic Plan for the Economic Development for the Indian Ocean Territories” has been received by the CKIEDA.

7.6 The responsibilities of the Administrator in responsible to economic development is detailed in the following community bulletin:

Community Bulletin

Number	04-2004	Date	1st March 2004
Topic	Delivery of Government Services on Cocos		
Relevance	Cocos (Keeling) Islands		

Responsibilities of the Administrator

The position of Administrator is a statutory appointment, reporting to the Minister and Government. As Administrator, Evan Williams is responsible for:

exercising delegations to enact legislation, when a recommendation is made by an appropriate person;

in relation to community opinion about federal policies; acting as the primary point of contact for the Minister, the Government and the community;

facilitating economic development opportunities for the island, in line with Australian Government policies; and

some ceremonial duties

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7.7 One of the recommendations in the draft “Draft Action Plan for the Cocos (Keeling) Islands” is the formation of an Indian Ocean Territories Economic Development Corporation (“IOTEDC”). While the CKIEDA supports this recommendation in principal it has made the following recommendations:

- The board of directors for the IOTEDC should consist of individuals with experience, expertise and a proven track record in sustainable economic development, in particular, that which is relevant to small island communities, and Southeast Asia, appointed by the Minister for Local Government, Territories and Roads. The board of directors should where possible consist of residents of the IOTs.
- The chairman of the board of directors should be appointed by the Minister for Local Government, Territories and Roads.
- The board of directors should be tasked with the developing of an organizational structure for the IOTEDC, ensuring maximum utilization of existing resources is obtained e.g. Council resources, private business; associations etc.
- The IOTEDC should not develop a bureaucracy, as there are sufficient levels of bureaucracy at local government and DOTARS level that can be utilised for specific functions required by the IOTEDC.

- The IOTEDC must be driven by developing investment opportunities that relate to issues identified in point 5.2.
- The IOTEDC must be community focused.
- It is essential, taking into account the previous economic studies, that this one be successful if the community's confidence is to be retained.

8 **EFFECTIVE GOVERNANCE AND IMPROVED ECONOMIC SUSTAINABILITY FOR THE INDIAN OCEAN TERRITORIES**

8.1 It is essential for economic development the CKI that the following exist for the provision of effective and efficient governance:

- Local government
- Territorial government
- Federal government

8.2 The Cocos (Keeling) Islands Shire Council’s submission has addressed the issue of governance in detail. Local government and the federal government provide the same services that are provided Australia wide in relation to economic development.

8.3 The CKIEDA will address the issue of Territorial government and economic development. It is essential that a modern body of state law, supported by state government departments, exists for the CKI, and Christmas Island (‘CI’), to encourage economic development and this requires:

- A modern body of law, which is currently provided by Western Australian law being applied as Commonwealth law for the CKI.
- Service Delivery Agreements (“SDAs”) in place with Western Australian agencies, to ensure that the same level of support that is provided in Western

Australia by these agencies is provided to the residents of the CKI and CI.

- Accountability and transparency levels for the CKI and CI are at the same levels available to residents of Western Australia.

8.4 DOTARS should be resourced at a sufficient level to ensure SDAs are introduced in an efficient, effective and timely manner.

8.5 It is essential for economic development that governance for the CKI be based upon 8.3 above to ensure investors, business operators, residents and consumers of services and products have the assurance of a modern body of law, supported by SDAs with appropriate accountability and transparency levels.

8.6 The state type services delivered by DOTARS are as follows:

Agriculture and Forestry
Arts and Culture
Attorney General
Community Development
Consumer and Employment Protection
Education and Training
Energy
Environment
Finance
Fisheries
Health
Heritage
Housing and Works

Justice
Local Government and Regional Development
Planning and Infrastructure
Police and Emergency Services
Sports and Recreation
Small Business
State Development
Tourism
Treasury
Water resources
Youth

8.8 SDAs are in place for:

Arts and Culture
Community Development
Consumer and Employment Protection
Education and Training (School based education)
Education and Training (Training and Adult Education)
Environment
Emergency Services
Fisheries
Health
Housing and Works
Industry and Resources
Justice
Local Government and Regional Development
Planning and Infrastructure
Racing and Gaming
Small Business
Treasury and Finance

8.9 The CKIEDA requires that the appropriate WA legislation, and SDAs, be applied and developed for:

- Environmental Protection Agency (currently undertaken by Environment Australia)
- State Development
- Utilities (water, sewage and power)

8.10 The CKIEDA believes that there must be strong regional cooperation between the Cocos (Keeling) Islands and Christmas Island. The IOTEDC, and the Indian Ocean Territories Regional Council, could be the catalyst for such a strategy.

8.11 The CKIEDA believes a whole of government approach is required. Under such a strategy local, territorial and federal government strategies would be developed for economic development.

8.12 The continuance of the CKI and CI as a non-self governing territories is no longer a valid option as a form of future governance. It provides no democratic representation, at the equivalent of state level, for the territories' residents. It is essential that an elected form of representation at the equivalent of state level be achieved to provide dynamic leadership and direction for the IOTs.

8.13 The options for the future forms of government are:

- Incorporation into Western Australia
- The formation of a new self governing Indian Ocean Territory which would incorporate the CKI and CI.

- 8.14 Incorporation into Western Australia has the advantage of not only having a modern body of law, with appropriate state type government departments to support that legislation (thereby replacing WA law applied as Commonwealth law, and SDAs), and also an elected state parliament. The disadvantages of incorporation into WA are the perceived loss of identity for the IOTs and the concept of distant representation, rather than local representation, which can impact upon the dynamics of leadership and direction.
- 8.15 The formation of a new self governing territory would provide a unique opportunity for the development of a small dynamic self governing territory in close proximity to Southeast Asia. The laws for the new territory would be the WA laws allied as territory law, and the SDAs would remain in place, as SDAs between the WA government and the new territory's government). The disadvantage relates to the small size of the population, and whether it has the capacity and capability for self governance as a territory.
- 8.16 The effectiveness of either alternate form of governance will impact upon the economic development of the territories.
- 8.17 The choice of the future form of government is a matter to be decided by the residents of the two territories by referendum. To be adequately prepared for such a referendum an appropriate education program will be required to be developed and delivered for the residents of the two territories.

8.18 Failure to develop a private sector based economy will see a continued dependence upon the Commonwealth, and as has been seen previously for both IOTs, lack of sustainable economic development, ultimately leads to population resettlements.