

Economic Development

- 3.1 The need for a coherent, holistic economic strategy for the IOTs has been discussed earlier. The following section will look at the key economic drivers of the IOTs economy and different factors affecting them, including :
- mining
 - tourism
 - immigration
 - the casino.

Phosphate mining

- 3.2 Phosphate mining has been the backbone of Christmas Island’s economy for over 100 years, but the current mining operations will end in about seven years unless further mining leases are granted. The most recent application for new leases was rejected by the Government.
- 3.3 There is considerable concern within the Christmas Island community about the economic future of Christmas Island without the current staples – mining and the immigration detention centre. Mr Zainal Abdul Majid, president of the Christmas Island Islamic Council, pointed to the current uncertainties facing the community:

We strongly believe that the main economy of the island is the mine at the moment; second is the detention centre. The next alternative industry to the mine is not established yet. We are also not sure of what the next one will be, and whatever it is we do not think there will be enough there to maintain the economy of the island. A lot of the new generation are coming from the mainland back to the island to look for work. They are coming back because

of the mining and the job opportunities, and if that goes I do not know where the job opportunities will be.¹

- 3.4 Ms Jeannie Ku, Treasurer of the Chinese Literary Association, also expressed concern about the future in the absence of mining. She told the Committee:

Due to uncertainty about what is happening with the mine and the detention centre, we are very worried about the future. We do not know how long the detention centre will last and the mine has only seven years to go. After that, what are we going to do?

In the absence of another main economic activity, everyone has recognised tourism, but there is very little being done to promote this industry. We have seen no improvements in tourism and tourist arrivals. The mines have brought in around \$100 million per annum. We all reckon that there is no way tourism can get near that. It probably will take at least 15 to 20 years, if tourism can bring this revenue. Can the government help give us some certainty? Maybe the government can grant the mines more leases in the absence of certainty. Who is actually doing something about our island's future?²

- 3.5 Phosphate Resources Limited (PRL) highlighted another aspect of phosphate mining – the potential for continued mining to fund environmental services. In its submission, PRL highlighted the report of the Christmas Island Expert Working Group (EWG), which examined threats to Christmas Island's ecology and biodiversity, and other aspects of conservation management.³ The report makes a series of recommendations focussed on prevention, management and eradication of invasive species as the main threat to Christmas Island's unique biota. PRL notes that:

Whereas previously the cessation of mining was seen as a panacea for environmental preservation, this has clearly been debunked by the EWG. The cessation of mining tomorrow will not preserve the island's endemic species...A more sophisticated and comprehensive programme of invasive species eradication will help preserve the environmental values of the Island.⁴

1 Mr Zainal Abdul Majid, President, Christmas Island Islamic Council, *Committee Hansard*, Christmas Island, 24 October 2012, p. 31.

2 Ms Jeannie Ku, Treasurer, Chinese Literary Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 36.

3 Associate Professor Bob Beeton et al., *Final Report of the Christmas Island Expert Working Group to the Minister for Environment Protection, Heritage and the Arts*, Canberra, April 2010.

4 Phosphate Resources Limited, *Submission 3*, p. 13.

- 3.6 In its evidence, PRL noted that some \$30–\$60 million will be required to carry out an island-wide recovery plan, and that this money must come from either government or the private sector. It further noted that as part of its application for additional areas of crown land for mining, the company had offered substantial funds for environmental work outside the mining lease – some \$50 million at current prices. PRL stated that despite the rejection of its application for further mining leases, the offer remained. The only alternatives were for government to fund the necessary environmental work or for the ecological integrity and biodiversity of Christmas Island to be further degraded by invasive species.⁵

The Department's response

- 3.7 With regard to the mining leases, the Department of Regional Australia stated that the possibility of extending the life of the current lease had been the subject of discussion between PRL and the Government, but that the granting of new leases was another matter altogether (as noted above, a previous application had been rejected). The Department told the Committee:

As you know, the current lease expires in 2019. We are in active and productive negotiations with the mine about an extension of the life of the lease. We had two meetings over the last two months looking at that with them. We have another one scheduled in the second week of December where I am reasonably optimistic we will be able to conclude our discussions about a draft that includes an extension to the life of the lease. Those negotiations do not go into extending the size of the lease to new mine lease areas. That is a matter for the mine to decide whether or not it wants to resubmit or submit new applications for consideration.⁶

- 3.8 When asked if the Australian Government supported using funds from phosphate mining for environmental management of the National Park, the Department observed that 'PRL pays a conservation levy to the Australian Government for rehabilitation and conservation purposes on Christmas Island'; and that this 'work is directed to rehabilitation of high priority sites, largely within the National Park'.⁷

5 Mr Clive Brown, Chairman, Phosphate Resources Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 16.

6 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 2.

7 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 17.

Tourism

- 3.9 Tourism is seen as one of the cornerstones of future economic development in the IOTs. The economic potential of tourism in these exotic and beautiful locations is real, but there are caveats to this potential. In its submission, the Christmas Island Tourism Association (CITA) emphasised that 'tourism cannot replace the economic contribution of immigration activities and mining, and other industries are needed to transition to a diversified post-mining and reduced-immigration economy'.⁸
- 3.10 PRL also rejected tourism as a panacea for Christmas Island. PRL's submission stated:
- A very preliminary investigation carried out by the Company suggests that it is no easy task to grow the tourism industry on remote small islands which, by the very nature of their isolation, are expensive compared to easier to reach destinations...
- Additionally, it also appears that even vibrant tourism industries on other islands do not support a large permanent population.⁹
- 3.11 PRL recommended that the Australian Government 'commission an independent economic analysis to assess the prospects of expanding the tourism industry on Christmas Island, having regard to the opportunities and challenges faced by the tourism industry on other comparable (or relatively comparable) islands'.¹⁰
- 3.12 Nonetheless, tourism is important to the economic development of both Christmas Island and the Cocos (Keeling) Islands. Vital to both is reliability of the air service to the IOTs. Concerns were raised with the Committee about the potential disruption to tourism unless the air services contract is settled well in advance. Mrs Julianne Bush, marketing manager for the Cocos (Keeling) Islands Tourism Association, explained to the Committee that:
- ...tourism needs to be given some consideration when those contractual negotiations occur between the government and the future airline contractor, given that the tourism industry works with a lead time of 18 months to two years when it comes to booking product and putting product out there in the marketplace

8 Christmas Island Tourism Association, *Submission 4*, p. 3.

9 Phosphate Resources Limited, *Submission 3*, p. 11.

10 Phosphate Resources Limited, *Submission 3*, p. 12.

if we are looking at an international as well as national marketplace.¹¹

- 3.13 Mrs Bush also highlighted the need for a regional approach to tourism in the IOTs, between the Cocos (Keeling) Islands and Christmas Island, and then, beyond that, with Western Australia. She told the Committee:

The first step for us and for Christmas is to come together and start to look at a regional tourism organisation structure. That has definitely been in a lot of strategic plans that have been put out through government reports and the shire and the like. So a regional tourism organisation, yes. We would like to think that we could maybe achieve that within the next two to five years, and I think that would be a big step forward for both Cocos and Christmas. Then you are looking at the two tourism associations still existing, but more at a visitor servicing level. Then you have a regional tourism organisation which then takes on the role of the destination marketing. Then you have the funds that can be funnelled straight through and hopefully more resources dedicated to the marketing and definitely, then, the linkages through to a state tourism organisation, through an SDA. Negotiating an SDA with Tourism WA was tried; however, that was a couple of years ago. We are now within the time frame where you can reapply for an SDA – we are now up to the level where we can start to relook at that. But yes, there would definitely be some great linkages for that to happen.¹²

- 3.14 Another cause for concern was the potential disruption to passengers caused by lack of aviation fuel. Ms Lisa Preston, Chairperson of CITA, explained:

Passengers and/or baggage are being offloaded and schedules disrupted due to the lack of aviation fuel. This is particularly detrimental to tourism. We are aware that the Australian government plans to increase storage by early 2014, but this does not resolve the issue now. In the meantime, increasing temporary storage and improving the alternative port facility at Ma Chor Nui Nui may minimise the risk of running out of aviation fuel.¹³

11 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 15.

12 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 17.

13 Ms Lisa Preston, Chairperson, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 19.

- 3.15 Mrs Bush gave an example of the direct impact of the fuel problem on the respective tourism associations – the loss of a tourism trainer offloaded from a flight:

Due to the fact that they had excess baggage for DIAC and Serco put on that Virgin flight and to the fact that they had to take extra fuel on in Port Hedland – in the event that they had to fly on to Jakarta – people had to be offloaded from that flight. It just happened that one of them was the trainer we – the two tourism associations – had paid for with that package. She was offloaded and we did not have enough time to argue it. I was prepared to stay off that flight so that she could get on it – because I would have been up there on Thursday and would just have missed a day of training – but it was not going to happen. She was offloaded, so we had to cancel that training. We also then cancelled the flight Kerenda and Dieter were on from Cocos to Christmas. For two small associations that are working very hard for the sustainability of the islands and representing tour operators – because essentially we are a not-for-profit marketing and visitor-servicing organisation, working for the benefit of our members – that is a huge kick in the teeth.¹⁴

- 3.16 Ms Preston also highlighted the importance of the northern air link to the development of tourism. CITA ‘encourages all stakeholders to examine the options to secure a regular air route with Asia’.¹⁵
- 3.17 The availability of beds, or lack thereof, is also seen as a constraint on the development of tourism. Ms Preston argued the need for a range of accommodation types and sizes. She urged all stakeholders to expedite an outcome for two tourism developments currently proposed which have been stalled for some time. She also called for further development of the Christmas Island National Park as a tourism asset, with ‘further investment and innovation in visitor services, including trails accommodation, and conservation educational tourism’.¹⁶

14 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 15.

15 Ms Lisa Preston, Chairperson, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 19.

16 Ms Lisa Preston, Chairperson, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 19.

Immigration

- 3.18 The impact of immigration on the IOTs communities has been highlighted in the evidence presented to the Committee, particularly the perceived impact on the IOTs as a tourism destination.
- 3.19 In its submission, CITA noted that ‘immigration activities continue to place pressure on services and people, generate negative press and devalue the input of tourism to the economy and community’.¹⁷
- 3.20 However, CITA also acknowledged that immigration was underpinning services such as the air service. CITA feared that a decline in immigration activity would also cause a decline in the frequency of air services, with consequent impacts on tourism.¹⁸
- 3.21 Similar concerns about the impact of immigration upon tourism were expressed by residents of the Cocos (Keeling) Islands. Mr Peter Clarke, CEO of the Shire of Cocos (Keeling) Islands, told the Committee:
- ...the Shire of Cocos (Keeling) Islands, together with the Cocos (Keeling) Islands Tourism Association and the Cocos community, have been proactively promoting the islands as a tourist destination. When paying passengers are forced to share flights with asylum seekers it does not send the right message to potential customers and damages the islands as a marketable destination¹⁹
- 3.22 Mrs Bush also highlighted the impact of asylum seekers on tourism in the IOTs, stating:
- We have seen what has happened on Christmas Island with the impact that it has had on their tourism industry with reducing numbers and their having to work very hard to attract the people that they do to their island. With the onset of the asylum seeker arrivals, we have had concerns from potential and booked passengers coming to the island ringing up accommodation providers confirming that it is not going to impact on their holiday to Cocos. There are anecdotal incidences of that.²⁰
- 3.23 Mr Clunies-Ross emphasised the impact of immigration on tourism operators outside the accommodation sector – the loss of business to operators relying on tourism rather than government for their business:

17 Christmas Island Tourism Association, *Submission 4*, p. 1.

18 Christmas Island Tourism Association, *Submission 4*, p. 3.

19 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 2.

20 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 15.

...the movement of federal personnel onto the island is having huge impacts on secondary tourism. I am not talking about the guys with the rooms and stuff like that. It is the guys with the glass-bottomed boats and the guys who are doing the fishing charters. No government servant employs them. They do their job and piss off. They might come to the pub and have a couple of beers but they are not here for a holiday, and as soon as their job is finished they are flown off. They are taking up the beds of the people who would be hiring the glass-bottomed boat and would be doing the secondary tourism things...That is an impact on the place.²¹

The Department's response

- 3.24 In evidence to the Committee, the Department of Regional Australia stated that tourism is an integral part of a diversified economy on Christmas Island. It noted that, 'if successful, tourism will foster local business opportunities and protect the natural and cultural assets of the island'.²² While acknowledging that immigration related activities and phosphate mining were currently economically more important than tourism, the Department stated that the 'Australian Government would like tourism to improve its contribution to the Christmas Island economy'. However, the Department also acknowledged restraining factors, 'such as limited availability of accommodation and the need to improve the tourism product'.²³
- 3.25 The Department noted that the Australian Government had allocated funds to the Christmas Island Tourism Association 'to undertake certain functions to benefit the Christmas Island tourism industry, such as marketing, promotion and coordination', and had contributed directly to a number of projects, such as:
- the Gaze Road Tourism and Commercial Precinct Urban Design Master Plan
 - an Australian Geographic documentary on Christmas Island and Cocos (Keeling) Islands
 - providing deep sea-moorings to enable cruise ship berthing
 - the proposed extension of the Flying Fish Cove jetty.²⁴

21 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 28.

22 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 18.

23 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 18.

24 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, pp. 18–19.

- 3.26 The Australian Government also underwrites the airline service between Australia and the IOTs.²⁵
- 3.27 The Department acknowledged the various impacts of immigration activities on the tourism sector, such as use of accommodation, flights and car-hire otherwise needed by the tourism sector, and the negative impact on the tourism brand in the IOTs. It also noted that immigration activities had boosted the demand for accommodation, contributing to the refurbishment and reopening of the Christmas Island Resort, which 'sizeable facility will provide much needed additional accommodation for tourism when the immigration demand reduces'.²⁶ The Department has commissioned a socio-economic assessment of the impact of immigration activities upon Christmas Island. This report 'will be used, with other reports, as part of a deliberative process to inform government policy in relation to the IOT'.²⁷
- 3.28 With regard to the offload of passengers and freight from flights, the Department noted that on occasion payload may be offloaded to take sufficient fuel to meet operational requirements, to meet the contingencies of weather or other diversions. The decision to offload was the operational responsibility of the airline.²⁸
- 3.29 With regard to the air link to Asia, the Department noted that there is a weekly air charter between Christmas Island and Kuala Lumpur. It is a regular service, but subject to cancellation. The service is a commercial venture and the Department is not privy to its financial status. The Australian Government's policy 'does not support underwriting or subsidising international flights', but landing charges have been waived to support the financial viability of these flights. The Department noted that the 'inability to book seats on-line may be to the detriment of the service'.²⁹
- 3.30 The Department of Regional Australia noted that Tourism WA had declined to take on the function of promoting the IOTs because it was obliged by legislation to promote Western Australia. DRA also noted that the 'responsibility for promoting tourism in the IOT rests with the Christmas Island Tourism Association and the Cocos (Keeling) Island

25 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 19.

26 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 19.

27 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 19.

28 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 1.

29 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, pp. 22-3.

Tourism Association, both of which are funded by the Australian Government'.³⁰

- 3.31 The Department also questioned the need for further economic analysis of the tourism industry in the IOTs, stating:

In 2012, the Department contributed funding to an economic analysis of Christmas Island as a tourist destination, commissioned by the RDA Mid-West Gascoyne. The project had the support of the then Administrator and Economic Development Consultative Group and sections of the community.

The Department funded the 2008 Destinations: Christmas Island Report. The report was developed through a community workshop and provided a range of strategies to develop tourism on Christmas Island.³¹

The Casino

- 3.32 The Christmas Island Resort is seeking to reopen the casino operations which were at the heart of the resort. Resort owner, Mr David Kwon, advised the Committee that:

When we purchased the casino [May 2000], we understood that we would be given a licence by the government. But so far we do not have it. We want to facilitate this as quickly as possible so we can provide better opportunities for not only individuals but the whole community to enjoy, including other industry. We would like the government to consider seriously speeding up and facilitating this casino licence. That is my request to government.³²

- 3.33 Putting the case for the casino, Mr Michael Asims emphasised the benefits the casino had brought to the community during the 1990s in terms of employment, income, flights and airfares:

The casino operated between 1993 and 1998, for just under five years. During that period, the casino employed no fewer than 350 people at any given time, with the maximum being 395 people.

The payroll into the community was \$950,000 a fortnight.

Importantly, this did not only benefit the island. The casino also provided all the air links in and out of the island, including to and from Perth. Not only did it service Christmas Island and Perth but it also serviced Cocos Keeling and Perth. This was a casino aircraft

30 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 4.

31 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 17.

32 Mr Davis Kwon, Managing Director and Owner, Soft Star Pty Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 24.

which flew to Perth three times a week, to Singapore three times a week and to Jakarta daily. There were additional charter flights to Jakarta because the casino was a purpose-built facility for the Indonesian high-roller market, and Indonesia is only 50 minutes away from here.³³

3.34 Mr Asims emphasised the benefits for other tourism operators as well:

During that period, tourism also benefitted because the casino was able to bring unit costs down. It brought down unit costs in terms of airfares and accommodation, and there were people who, encouraged by the casino, and invested money here. For example, the Mango Tree was built just after the casino opened because they could see the benefit of flow-on business from the casino. Other people also invested money here. There were several fishing charter operators and diving operators. The casino could have done that. We could have provided all the charters for diving and for fishing, but we did not want to do that because it was good business to facilitate other people developing their own businesses and surviving, thriving and prospering on the back of the casino operation.³⁴

3.35 The future vision for the casino is to ‘create the same platform that the casino provided previously for people to develop their own businesses, for investment to happen and for people to take advantage of the same infrastructure’. The casino would provide the same benefits – ‘namely, the aircraft, cheaper airfares, more frequency and many other things’. It is the intention of the owners of the resort to ‘ask the Commonwealth to consider seriously giving us the green light to reopen the casino, to attract investment and to start doing things now’. It is regarded as vital that the casino proceed as soon as possible, that people ‘not wait until the immigration contract collapses or everything else stops, because that would be too late’.³⁵

3.36 The Committee found widespread support for the reopening of the Christmas Island Casino in the community. Cr Thomson believed the ‘economic benefits would be fantastic’:

When the casino was operating in the nineties, it was a vital second engine of our economy. Things were humming. We have

33 Mr Michael Asims, Advisor, Soft Star Pty Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 24.

34 Mr Michael Asims, Advisor, Soft Star Pty Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 24.

35 Mr Michael Asims, Advisor, Soft Star Pty Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 25.

had a mine here for 100 years. The culture and everything is built around that. But, when the casino was operating, it was very important. The facility itself, if it is operating to full capacity and with the casino licence, will provide an essential foundation for our tourism industry to develop. Many people comment that we do not actually have a tourism industry here, but all of our planning since the nineties, in anticipation of the closure of the mine, has put a huge emphasis on tourism being the future of the island.³⁶

3.37 However, in its submission, CITA cautioned that the reopening of the Casino was not a panacea for the Island's tourism industry. CITA noted that the operation of the Casino between 1994 and 1998 had not translated into 'longevity or sustainability for the tourism industry and was not able to underpin other developments'. CITA argued that relying on one product or operator to underpin tourism was unwise, and that while the resort/casino might offer a saleable product and support for conferences and events, 'care must be taken to ensure that the development of tourism is not stalled pending consideration of a license nor cease if a license is granted'. CITA expected that 'the social and economic impacts, a cost benefit analysis and thorough community consultation would occur as part of any assessment process for granting a license'.³⁷ CITA saw the casino as one part of a diversified tourism economy, in which tourism was one part of a diversified economy.³⁸

3.38 PRL also urged a degree of caution, stating that it 'is not known how successful the reopened casino might be', but that 'there is little point any potential operator undertaking the requisite feasibility studies if the government is unwilling to grant a licence'. PRL recommended that the Australian Government give in-principle support to the reopening of the Christmas Island Casino and allow the operator to test the commercial risk:

The Company's view is that it would be prudent for government to make an in principle decision about allowing the casino to reopen. An in principle decision will enable potential operators to assess the prospects of success and provide the government with whatever information is required to obtain a licence. An in principle decision supporting the reopening of the casino could

36 Cr Gordon Thomson, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 8.

37 Christmas Island Tourism Association, *Submission 4*, p. 6.

38 Ms Lisa Preston, Chairperson, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 21.

offset expected falls in immigration personnel as the offshore processing of refugees comes into effect.³⁹

- 3.39 Alternatively, PRL suggested that if the Government was not willing to give a decision in favour of the casino, it should explicitly state this and 'stop the conjecture on the island about this possibility being the saviour of the island's economic base'.⁴⁰

The Department's response

- 3.40 On the question of the casino, the Department of Regional Australia advised the Committee that there is currently legislation that prohibits the operation of a casino on Christmas Island, but that the Government would be receptive to any proposals.⁴¹ The Department noted that in June and July 2012, the Minister had received correspondence regarding the casino and that he had replied to the effect that he would be willing to consider a preliminary concept proposal for casino operations and had provided an indicative list of information required (see Appendix A).⁴² There had, to date, been no formal request regarding the granting of a casino licence.⁴³ The Department also advised that it had been involved in informal discussions with the owner of the Christmas Island Resort about the possible opening of the casino, stating:

We have had a number of informal discussions with Mr Kwon about what he is thinking about. He has not submitted a formal proposal for a casino on Christmas Island...

In our informal discussions with him we have talked about issues around how a proposal might need to cover things like social impact and the potential for harm minimisation. These are things very similar to what Minister Crean discussed in community meetings on Christmas Island when the issue was raised with him. We have not given a formal response at this stage to the people

39 Phosphate Resources Limited, *Submission 3*, p. 10.

40 Phosphate Resources Limited, *Submission 3*, p. 10.

41 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 2.

42 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 25.

43 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 2.

who have made representations, because that is being considered by the minister.⁴⁴

Committee conclusions

- 3.41 The Committee is conscious of the difficulties surrounding the economic development of the Indian Ocean Territories. The three main drivers of the economy on Christmas Island – mining, immigration and tourism – are not mutually complementary. Indeed, mining and immigration compete with tourism for resources and detract from the IOTs' image as a tourist destination. On the other hand, mining and immigration currently make a much larger contribution to the economy than tourism, but neither will continue indefinitely.
- 3.42 Cocos is heavily reliant on the provision of government services for much of its economic activity. As on Christmas Island, tourism is seen as the way forward; but, as on Christmas Island, that potential is far from being fully realised.
- 3.43 Clearly, some sort of long term plan needs to be put in place to transition the economy of the IOTs from its current situation, heavily reliant on mining or government activity, to one based on sustainable private sector activity. This strategy needs to be formulated by the Australian Government, in conjunction with the local communities – and the Australian Government needs to commit to implementing the strategy.
- 3.44 The Australian Government has a disproportionate level of influence in the economic fortunes of the IOTs, whether in the form of approving or rejecting licenses to the principle private industry – mining; approving or denying a casino licence; or overwhelming other forms of economic activity for its own requirements – immigration. Clearly, no meaningful economic development can take place in the IOTs without the Australian Government making a meaningful contribution to the outcome and taking a constructive role in the transition to new forms of economic activity. Like other external territories, Australia's 'entitlement' to sovereignty over the IOTs must in part rest on its ability to demonstrate that it can protect, defend and develop those territories in the interests of the inhabitants.
- 3.45 In this vein, the Committee is of the view that phosphate mining should continue on Christmas Island until viable alternative forms of economic activity have been put in place. The people of Christmas Island remain heavily dependent on the mine as a source of income and employment.
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44 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 5.

While that continues to be the case, and while mining remains economically viable, ways should be found to extend the life of existing mining leases and release new mining leases without undue harm to the environment. Given strict environmental controls of the type currently in place, this should be achievable. It will also have the benefit of providing funds for the environmental management of the National Park, funds that are desperately required to manage the impact of invasive species, especially Yellow Crazy Ants.

- 3.46 Tourism is seen by many as the industry of the future, but there are some qualifications on that view. It should be seen as an important part of a suite of sustainable activities. Moreover, there is widespread recognition of the need for increased investment in tourism infrastructure and facilities, greater certainty of access by air, and an overall strategic plan. Such a plan must take account of how the impacts of competition from other sectors – especially immigration services – will be managed and mitigated.
- 3.47 Given the potential importance of tourism to the economy of the IOTs, and the challenges faced by the tourism sector in the IOTs, the Committee is of the view that the Australian Government must actively engage with the sector in the development of a tourism strategy within the context of an overall economic development strategy. This must include maintaining and improving air services into the long term, and improving facilities through strategic investment. The Committee believes that the policy of not subsidising flights to Asia is to the detriment of the communities, and should be reconsidered.
- 3.48 The Committee also supports in principle the reopening of the Christmas Island Casino. While recognising that the Christmas Island Resort must make a business case for reopening the facility, and that the necessary legal framework must be put in place, the Committee cannot see any reason for the Australian Government not to facilitate this venture, especially as the commercial risk falls entirely on the proponents. The potential benefits to Christmas Island if the casino succeeds are considerable; the probable outcome of failure is merely a return to the status quo.

Recommendation 5

- 3.49 The Committee recommends that the Australian Government develop and commit to an economic strategy for the Indian Ocean Territories to transition the economy of the IOTs from its current situation, heavily reliant on a mining or government activity, to one based on sustainable private sector activity. This strategy is to be formulated by the Australian Government in conjunction with the local communities.

Recommendation 6

- 3.50 The Committee recommends that as part of its overall economic strategy for the Indian Ocean Territories and in the context of creating environmental management investment, the Australian Government commit to the extension of the current mining leases and re-examine new mining leases on Christmas Island.

Recommendation 7

- 3.51 The Committee recommends that as part of its overall economic strategy for the Indian Ocean Territories, the Australian Government commit to the implementation of existing strategies commissioned by the Commonwealth to develop tourism in the Indian Ocean Territories, and develop long term arrangements to secure air services, including subsidising flights to Asia, and improve tourism-related infrastructure and facilities.

Recommendation 8

- 3.52 The Committee recommends that the Australian Government commit to the reopening of the casino on Christmas Island and that it facilitate the approval process to allow this to happen if a proposal comes forward.