
The Parliament of the Commonwealth of Australia

Governance in the Indian Ocean Territories

Interim report: Economic Development

Joint Standing Committee on the National Capital and External Territories

June 2015
Canberra

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Chair's foreword

The Indian Ocean Territories (IOT) consist of the Cocos (Keeling) Islands and Christmas Island. For decades, governance arrangements, economic sustainability and service delivery in the IOT have presented challenges to successive federal governments.

A high level of Commonwealth resources is devoted to the IOT. Indeed, more federal money is spent on the delivery of services there per capita than in almost any other community in Australia. An important question is whether this money is being spent effectively by the Commonwealth agencies, Western Australian government departments and local Shires.

This inquiry is about examining the lines of responsibility, the generation of economic activity and determining the best and most effective way in which services can be delivered.

The Committee has had a number of private briefings and held public hearings in the IOT, in Perth and in Canberra. Formal and informal engagement with the IOT communities has been an important aspect of the Committee's approach to gathering evidence. I appreciate the candour of witnesses - particularly IOT residents - who have appeared in a private capacity to share their views and experiences. I am well aware that this can present particular challenges for people living in small communities where there are strongly held and disparate views.


Contributions to the inquiry by the three levels of government have, on occasion, been less than constructive. Information provided by the Department of Infrastructure and Regional Development has not always been comprehensive and responses to questions less than direct. Additionally, despite a request to do so,

the Department did not make officials based in its Western Australian office available to speak to the Committee when it was in Perth. The Western Australian Government was invited to make a written submission and appear before the Committee at a Perth hearing to talk about Service Delivery Arrangements. It declined both invitations.

The IOT faces a number of complex problems. As the inquiry has progressed, I can say that I too share some of the frustrations that IOT residents experience in relation to the many layers of bureaucracy and unclear delineations of responsibility in the system. These more challenging issues are to be addressed by the Committee in one or more subsequent reports, which will draw on evidence from further hearings. This will include an examination of land management and tenure issues which are important considerations for further economic development.

In the meantime, this interim report focuses on some aspects of economic development where the evidence received has been consistent and clear. It is intended to be a constructive report to help residents of the IOT in the short term with purposeful and effective outcomes that serve their best interests.

Mr Luke Simpkins MP
Chair



Membership of the Committee

Chair Mr Luke Simpkins MP

Deputy Chair Senator Carol Brown

Members Senator Chris Back

Ms Gai Brodtmann MP

Mrs Natasha Griggs MP

Senator Sarah Hanson-Young

Senator Katy Gallagher (from 26/3/15)

Senator Gavin Marshall (from 7/7/14)

The Hon Bruce Scott MP

Senator Zed Seselja

The Hon Warren Snowdon MP

Mr Ross Vasta MP

Committee secretariat

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Inquiry Secretary	Ms Sara Edson
Research Officer	Ms Samantha Leahy
Administrative Officer	Mrs Fiona McCann



Terms of reference

The Committee will inquire into and report on the interaction between formal institutions and the Indian Ocean communities, reviewing:

- the role of the Administrator and the capacity (and appropriateness) of the Administrator taking on a stronger decision-making role;
- existing consultation mechanisms undertaken by government representatives, including the IOT Regional Development Organisation, and best practice for similar small remote communities' engagement with Australian and state governments;
- local government's role in supporting and representing communities in the Indian Ocean Territories; and
- opportunities to strengthen and diversify the economy, whilst maintaining and celebrating the unique cultural identity of the Indian Ocean Territories.



Abbreviations

CI	Christmas Island
CINC	Christmas Island Neighbourhood Centre
CITA	Christmas Island Tourism Association
CIWA	Christmas Island Women's Association
CKI	Cocos (Keeling) Islands
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
DIBP	Department of Immigration and Border Protection
DIRD	Department of Infrastructure and Regional Development
IOT	Indian Ocean Territories
JSCNCET	Joint Standing Committee on the National Capital and External Territories
MACI	Malay Association of Christmas Island
MINTOPE	Mine to Plant Enterprises Project
N	Nitrogen
SDA	Service Delivery Arrangements
WA	Western Australia



Recommendations

2 Reopening the Christmas Island Casino

Recommendation 1

The Committee recommends that the Australian Government commit to reopening a casino on Christmas Island and establish the necessary policy, legislative and regulatory frameworks to allow for this without delay.

Once the necessary frameworks are in place the Department of Infrastructure and Regional Development conduct an appropriate process to assess proposals to operate a casino from private sector proponents.

3 International students on Christmas Island

Recommendation 2

The Committee recommends the Department of Infrastructure and Regional Development take action to address any legislative anomalies or administrative deficiencies that may prevent educational institutions in the Indian Ocean Territories from providing educational services to international fee-paying students in accordance with the framework established by the *Education Services for Overseas Students Act 2000* (Cth).

4 Shipping and freight

Recommendation 3

The Committee recommends that the Australian Government call for expressions of interest for the delivery of freight by sea to the Indian Ocean Territories for the carriage of Australian Government goods, to be followed by a full tender process if indicated by the outcome of this process.

Introduction

Overview of governance and economic development issues in the Indian Ocean Territories – recurring themes

- 1.1 On 4 March 2015 the Assistant Minister for Infrastructure and Regional Development (the Minister), the Hon Jamie Briggs MP, proposed that the Joint Standing Committee on the National Capital and External Territories (the JSCNCET or the Committee) inquire into and report on governance arrangements in the Indian Ocean Territories (IOT) – Christmas Island and the Cocos (Keeling) Islands. The terms of reference include examining the prospects for economic development in the IOT. Specifically:

The Committee will inquire into and report on the interaction between formal institutions and the Indian Ocean communities, reviewing:

- the role of the Administrator and the capacity (and appropriateness) of the Administrator taking on a stronger decision-making role;
- existing consultation mechanisms undertaken by government representatives, including the IOT Regional Development Organisation, and best practice for similar small remote communities' engagement with Australian and state governments;
- local government's role in supporting and representing communities in the Indian Ocean Territories; and
- opportunities to strengthen and diversify the economy, whilst maintaining and celebrating the unique cultural identity of the Indian Ocean Territories.

- 1.2 Governance and administration, and economic development issues have long been the subject of JSCNCET inquiries, dealt with separately or together in successive inquiry reports and parliaments.¹
- 1.3 On governance and administration, residents have expressed their frustration at not having any political representation in the Western Australian Parliament despite the broad application of Western Australian legislation in the IOT and inadequate or ineffectual consultation mechanisms at all levels of government. There is also a widely-held view that decisions are made by bureaucrats in Perth and Canberra with little transparency and accountability to the communities.²
- 1.4 Specific issues that recur (and this is not an exhaustive list) include:
- the high cost of shipping;
 - the regularity of air services to the IOT;
 - the need for dedicated aged care facilities;
 - a shortage of affordable housing;
 - the prohibitive cost of property insurance;
 - waste management;
 - coastal erosion;
 - access to telecommunications; and³
 - land management/tenure.⁴
- 1.5 For many years, the Christmas Island economy has been characterised by a 'boom and bust cycle' associated with its mainstays – low-grade phosphate mining and immigration detention activity. There are concerns about Christmas Island's economic future beyond these activities.

1 For example JSCNCET, *Report on the visit to the Indian Ocean Territories 21-25 October 2012*, June 2013; *Inquiry into the changing economic environment in the Indian Ocean Territories*, March 2010; and *Inquiry into current and future governance arrangements for the Indian Ocean Territories*, June 2006. See the JSCNCET website for a list of all completed inquiries:

http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ncet/reports.htm

2 JSCNCET, *Report on the visit to the Indian Ocean Territories 21-25 October 2012*, June 2013, pp. 8-12.

3 These issues were all canvassed in the previous Committee's report, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013.

4 JSCNCET, *Inquiry into the changing economic environment in the Indian Ocean Territories*, March 2010, p. 100.

- 1.6 Although its primary mining lease has been extended until 2034, Phosphate Resources Limited asserts that without access to additional vacant crown land, the mining operation is unlikely to be commercially viable beyond the 2020s.⁵
- 1.7 The detention population on Christmas Island peaked at over 3000 in 2013, with Department of Immigration and Border Protection (DIBP) and service provider staff, as well as the presence of other agencies, having grown significantly to support that activity. However, as of April 2015, there are less than 100 detainees on Christmas Island and staffing numbers have decreased accordingly.⁶
- 1.8 Increasing tourism is part of the answer to alternative economic drivers on Christmas Island, but opportunity has been limited owing to infrastructure and other constraints. Furthermore, mining and immigration detention have both been somewhat at odds with the image of Christmas Island as a tourist destination.⁷
- 1.9 Most residents want to see a casino reopened on Christmas Island to attract higher visitor numbers, particularly from Asia, which the island enjoyed for a number of years in the nineties.⁸
- 1.10 By contrast, Cocos (Keeling) Islands has had a static economy. Its tourist market is also small; there are limited tourist beds. Cocos relies heavily on the provision of government services for much of its economic activity. Proposals to develop tourism or other industries further have not progressed far.⁹ A significant proportion of Cocos residents, anecdotally as many as 60-80 per cent, are dependent on disability pensions, carers allowances and unemployment benefits.¹⁰
- 1.11 The IOT is isolated, being closer to Indonesia than Australia, and with limited air services is difficult to access. It is an expensive holiday option for Australians and international visitors alike, especially given alternative and comparable tourist destinations in the region.

5 Phosphate Resources Limited, *Submission 1*, p. 3.

6 Department of Immigration and Border Protection, *Submission 23*, pp. 1-2.

7 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, pp. 26-27.

8 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, pp. 28-31.

9 Department of Infrastructure and Regional Development website, http://regional.gov.au/territories/Cocos_Keeling/economics.aspx

10 Mr Raymond Marshall, *Submission 29*, p. 3 and Mr Haji Adam, *Submission 35*, p.1.

Scope of the report: kick-starting the economy

- 1.12 The Committee is acutely aware that successive parliamentary committees investigate many of the same issues time and time again in the IOT. The previous JSCNCET report referred to the consultation fatigue experienced by many residents who feel that countless reviews and reports have led nowhere.¹¹ There has been little traction on important issues and the Committee does not intend repeating the findings of earlier reports on the IOT just for the sake of it.
- 1.13 The governance and administration arrangements in the IOT are unique, with the Department of Infrastructure and Regional Development (DIRD) having overall responsibility for the territories, including the provision of state-type services. By and large these state-type services are provided on behalf of the Australian Government by the Western Australian Government, in accordance with a range of Service Delivery Arrangements (SDA).¹² There are several complex layers of governance with DIRD, the Western Australian Government, local government and a dedicated Indian Ocean Administrator having various responsibilities. Many complaints associated with governance are not easy to resolve for a host of reasons, including that it is not always clear to residents which level of government or which bureaucracy is responsible for what.
- 1.14 The Committee has decided to put consideration of governance arrangements aside while it focuses, in its first interim report, on aspects of economic development.
- 1.15 This is not to say that the other issues are not important - they are. However, the Committee intends dealing with them in a later report, and is gathering further evidence to inform its findings.
- 1.16 In this first report, the Committee intends to concentrate on a few measures that it believes have the potential to stimulate the local economy relatively quickly and should have a multiplier effect.

Conduct of inquiry

- 1.17 The inquiry has received 39 submissions so far from a range of stakeholders including the Commonwealth, local government (the Shires), current and former Indian Ocean Territory Administrators, business

11 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, p. 12

12 For an overview see the Department of Infrastructure and Regional Development website:
<http://www.regional.gov.au/territories/christmas/governanceadministration.aspx>
http://www.regional.gov.au/territories/Cocos_Keeling/governanceadministration.aspx

owners, community groups, and residents. A list of submissions and other documentary evidence is at Appendix A.

- 1.18 The inquiry was advertised via the Administrator's community bulletin on 11 March 2015 and in the *Islander* on 20 March 2015.
- 1.19 So far the Committee has held five hearings: two in Canberra; one in Perth, one on Cocos (Keeling) Islands and one on Christmas Island. As part of the proceedings on both islands, the Committee held dedicated community statements sessions so that residents had the opportunity to speak to any issue they wanted to raise.
- 1.20 Details of the hearings and witnesses are listed at Appendix B. The transcripts of the hearings are available from the Committee website.¹³

Visit to the Indian Ocean Territories

- 1.21 The Committee visited Cocos (Keeling) Islands from 7-9 April 2015 and Christmas Island from 9-10 April 2015.
- 1.22 In addition to the public hearings and community statements, while on Cocos (Keeling) Islands the Committee undertook inspections on West Island that included the jetty, former quarantine station, waste management facilities, light industry area, sites of erosion and sandbagging. On Home Island the Committee visited the school, local brickworks, light industry and residential areas, as well as the Clunies-Ross clam export venture.
- 1.23 On Christmas Island the Committee undertook drive-by inspections of the jetty at Flying Fish cove, a community arts project, a raised sea wall in the Kampong that helps protect the area in monsoon season, and the now no longer used immigration detention site at Phosphate Hill. The Committee also visited the Mining to Plant Enterprise (MINTOPE) research project and talked to staff at the Christmas Island Recreation Centre.
- 1.24 The Committee acknowledges the valuable contribution of all those it met with. Talking to locals and visiting Cocos (Keeling) Islands and Christmas Island for a few days was instrumental for members' gaining insight into the locals' way of life and the day-to-day challenges residents face, be it the high cost of living, slow internet access or running a business.

13 JSCNCET website, Public hearings, http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Capital_and_External_Territories/Indian_Ocean_Territories/Public_Hearings

- 1.25 The Committee also appreciates the effort put into organising an excellent visit program by the Office of the Administrator, Mr Barry Haase, and staff on Christmas Island, particularly Executive Officer, Mr Stephen Clay, and the Chief Executive Officer of the Cocos (Keeling) Islands Shire, Mr Aaron Bowman, and staff.

Report outline: economic opportunities

- 1.26 The report comprises three short chapters on the following measures that can boost the economy in the IOT:
- establishing a policy, legislative and regulatory framework that facilitates reopening the Christmas Island Casino and conducting an appropriate process to assess proposals from private sector proponents;
 - allowing Christmas Island District High School to accept fee-paying international students again; and
 - a sea freight service that offers more regular and affordable shipping.
- 1.27 A fourth chapter will highlight the Mining to Plant Enterprises Project (MINTOPE) on Christmas Island. It provides a case-study of the potential for other economic diversification.

Reopening the Christmas Island Casino

The former casino's operations and closure in the nineties

- 2.1 Mr Michael Asims, Owner's Representative, Soft Star Pty Ltd (Soft Star), described the former Christmas Island hotel and resort, which included a casino facility, that operated in the nineties for a period of approximately five years:

The casino was a purpose built facility. It was built to cater exclusively to the Indonesian high roller market. It operated between 1993 and 1998. In its best year the turnover of this little casino...was in excess of \$5.8 billion.¹

- 2.2 Although various explanations of the circumstances leading to the casino's closure in the nineties have been offered, according to Mr Asims, the casino closed because of a decision taken by the then Indonesian President, Suharto to cease flight permits that had been issued for Christmas Island from any port in Indonesia:

Effectively what that meant was we had a purpose built facility for a specific market and, after five years, we were no longer able to get to that market.²

1 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 36.

2 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 36.

Soft Star's ongoing interest

- 2.3 Soft Star purchased the Christmas Island hotel and resort, which included the previous casino facility, in May 2000. Mr Asims stated that the company's decision to purchase the property was based on implicit government support that, subject to Soft Star complying with certain regulatory requirements, it would be granted a casino license:

At the time no other conditions were put forward by the Commonwealth that raised any concerns regarding the purchase of the property and we felt confident that the Commonwealth would at some stage issue a casino license to Soft Star.³

- 2.4 Over the years, both Mr Michael Asims, Owner's Representative and Mr David Kwon, Owner and Managing Director of Soft Star have appeared before successive parliamentary committees to advocate that the Australian Government should grant Soft Star a casino license.⁴

Casino operations prohibited in 2004

- 2.5 In 2004 the Minister for Local Government, Territories and Roads announced that the Australian Government would prohibit casino operations in the Territories. In the explanatory statement to the ordinance amendments to effect the change, the Government observed that the casino had ceased operations in 1998 for commercial reasons.⁵ The explanatory statement proceeds to assert:

By prohibiting casinos, the Government is seeking to limit the detrimental effects of problem gambling and to protect social welfare in the Territories.⁶

3 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 32.

4 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, pp. 28-34, and JSCNCET, *Inquiry into current and future governance arrangements for the Indian Ocean Territories*, June 2006, pp. 42-46.

5 Explanatory Statement, *Casino Legislation Ordinance 2005 (No.1)* (CI), An ordinance to amend the *Applied Laws (Implementation) Ordinance 1992* (CI) and repeal the *Casino Control Ordinance 1988* (CI),

<http://www.comlaw.gov.au/Details/F2005L02298/Explanatory%20Statement/Text>

6 Explanatory Statement, *Casino Legislation Ordinance 2005 (No.1)* (CI), An ordinance to amend the *Applied Laws (Implementation) Ordinance 1992* (CI) and repeal the *Casino Control Ordinance 1988* (CI),

<http://www.comlaw.gov.au/Details/F2005L02298/Explanatory%20Statement/Text>

- 2.6 The JSCNCET report of 2006 in the 41st Parliament examined the decision and circumstances surrounding the Government's announcement and repeal of legislation allowing a casino to operate on Christmas Island. The report cited Government concerns that were expressed about the impact of a casino 'on the social fabric' of Christmas Island, while at the same time noting evidence from the community indicating that when the casino had been operating the economic positives had outweighed any negative social impacts.
- 2.7 The Committee concluded that there had been a lack of transparency and accountability in relation to the decision to prohibit a casino from operating again on Christmas Island, and recommended 'that the Australian Government review its 2004 decision to block the licensing of a casino on Christmas Island...with a view to reissuing a casino licence, at the earliest opportunity.'⁷

Previous reports – all support reopening the casino

- 2.8 Since the 2004 decision to repeal the legislation that allowed for a casino on Christmas Island, reopening the casino on Christmas Island has been a subject of consideration in successive JSCNCET and other parliamentary committee reports.
- 2.9 The JSCNCET of the 43rd Parliament made the following recommendation in its 2013 report:
- Recommendation 8**
- 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 process if a proposal comes forward.⁸
- 2.10 More recently, the Joint Select Committee on Northern Australia made an almost identical recommendation in its 2014 report into the development of Northern Australia:

7 JSCNCET, *Inquiry into the current and future governance arrangements in the Indian Ocean Territories*, June 2006, p. 46.

8 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, p. 34.

Recommendation 13

The Committee recommends that the Australian Government commit to facilitating the approval process to enable the reopening of the Christmas Island casino.⁹

The case - delivering economic and other benefits to the community

2.11 Soft Star is of the view that a new casino operation would revive tourism and in doing so deliver a range of economic and other benefits to the island. Mr Asims summarised the successes of the previous casino operation:

Throughout the five years of operation, staffing levels were between 350 and 396 full-time equivalent employees. The payroll at the time exceeded \$850,000 a fortnight. For a number of years the casino provided all flights in and out of the island, including to Perth and Asia...with various airlines, including national jet systems. Return airfares to Perth at the time were \$755 – substantially below cost and subsidised for the community, courtesy of the Christmas Island casino...

The casino conducted destination marketing for Christmas Island, at no expense to the Commonwealth, through satellite offices [throughout Asia]. Millions of dollars were made available to the community by the community benefit fund. The casino provided 12 mini buses – in effect providing free public transport throughout the island, linking the Settlement, Poon San, Drumsite, Silver City and the Kampong. This was a free service for the benefit of all – even for tourists staying at other accommodation establishments, who flew here on resort aircraft at subsidised prices.¹⁰

Consistent community support

2.12 Mr Asims spoke of the ‘overwhelming support’ that Soft Star had received for its proposal to reopen the casino, from the Christmas Island Shire, local

9 Joint Select Committee on Northern Australia, *Pivot North Inquiry into the development of Northern Australia: Final Report*, September 2014, p. 174.

10 Mr Michael Asims, Owner’s Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 34.

business sector and residents, with some 90 per cent of the population favouring it.¹¹ The previous Committee's 2013 report on its visit to the IOT also cited widespread community support for the reopening of the Christmas Island Resort.¹²

- 2.13 Witnesses to the current inquiry, including the Christmas Island Shire¹³ and Christmas Island Tourism Association (CITA), continue to endorse the reopening of the casino. Ms Karenn Singer, Manager, CITA said the casino could be part of an overall tourist offering:

The casino would potentially offer support for services for employment and also support flights, particularly to the north.¹⁴

- 2.14 Ms Singer added:

It is possible that there could be a community benefit fund or even a tourism infrastructure fund to help fund some of the tourism infrastructure that is currently run-down and needs attention and also perhaps look at the opportunities to upgrade the airport. Partnerships need to be developed within the tourism industry and within all partners within that industry.¹⁵

- 2.15 CITA outlined a willingness to work with a casino operator to develop a collaborative marketing strategy, and stated that there could also be opportunities for small business, and conferences.¹⁶

- 2.16 The Christmas Island Neighbourhood Centre (CINC) emphasised the social benefits of reopening of the casino: young people might stay or return to the island, allowing families to stay together. According to the CINC the license issue needs to be resolved quickly:

It is the underpinning factor in the billion dollar economic diversification of the Indian Ocean Territories.¹⁷

- 2.17 The Malay Association of Christmas Island (MACI) concurred:

11 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 32.

12 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, June 2013, p. 29.

13 Mr Gordon Thomson, President, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 9 April 2015, p. 5.

14 Ms Karenn Singer, Manager, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 9 April 2015, p. 14.

15 Ms Karenn Singer, Manager, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 9 April 2015, p. 14.

16 Christmas Island Tourism Association, *Submission 26*, p. 11.

17 Christmas Island Neighbourhood Centre, *Submission 37*, p. 12.

MACI recognises the economic opportunity that a profitable casino will bring to Christmas Island based on its success in the 1990s. Young people could find work, people could change career...The casino had many [other] benefits too in the provision of a 24 hour bus service on island and subsidised flights to Perth.¹⁸

Government responses to-date non-committal

- 2.18 Responses from successive governments have been ambiguous, stopping short of providing either explicit support or outright rejection of Committee recommendations to facilitate reopening of a casino on Christmas Island. For example, the Government response to Recommendation 8 of the 2013 JSCNCET report was:

Noted. While the Government supports economic and tourism development for Christmas Island, broader Government and community consultation would be required prior to consideration of a proposal to re-establish a casino.¹⁹

- 2.19 Given that there is broad community support for the casino reopening – and the need for economic development on Christmas Island – the question remains what are the objections and possible impediments and how can these be overcome?

Possible impediments and overcoming them

Problem gambling and social welfare concerns

- 2.20 As noted, in 2004 the Australian Government cited concerns about problem gambling as its reason for prohibiting casinos in the IOT.
- 2.21 Yet no evidence has been provided to successive committees indicating that problem gambling was a significant issue when the former casino operated on Christmas Island, or suggesting concerns about the potential risk if a casino is reopened. On the contrary, it appears that there is overwhelming community support for reopening of a casino. The

18 Malay Association of Christmas Island, *Submission 24*, p. 4.

19 Government response to JSCNCET, *Report on the visit to the Indian Ocean Territories - 21-25 October 2012*, June 2013, http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ncet/reports.htm

rationale for prohibiting a casino on Christmas Island was questioned by MACI:

MACI recognises the negative externalities possible with a casino in the community and submits that the official reason the Government provided in 2005 for the closure was paternalistic and repressive.²⁰

2.22 MACI elaborated:

If the sole reason the Government prevented the license reissue was 'social concerns', why has it allowed casinos to continue operating on the mainland where they would affect many more people than the 1300-odd on Christmas Island? Where are the lists of 'social concerns' that occurred in the 1990s in the initial opening that assumedly makes the grounds for the 2005 rejection? Where was the documentation from local social workers showing assumedly dozens upon dozens of gambling addiction victims? None were presented because none exist.²¹

2.23 Soft Star reiterated the level of community support it has for its proposal to reopen the casino and indicated that it will predominately be frequented by international visitors:

It is important to note that the great majority of people who will be gambling at the casino will not be local islanders but rather offshore visitors.²²

No business case and 'commercial viability'

2.24 At a private briefing to the Committee in February from the Department of Infrastructure and Regional Development (DIRD), DIRD provided specific evidence that there was no proponent for the case for reopening a casino on Christmas Island.

2.25 Subsequently on 14 May 2015, the Committee asked why the Department had said that there was no proponent for the casino, when Softstar gave the Committee a business plan dated 2013 on Christmas Island, Ms Fleming, Executive Director, Local Government and Territories Division, DIRD stated on the public record:

20 MACI, *Submission 24*, p. 4.

21 MACI, *Submission 24*, p. 4.

22 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 32.

The department, has through periods, seen a proposal. I would not call it a business case in that it is not a feasibility study that provides all of the financial data. But there was an early proposal for the previous government that was submitted – from memory- by Soft Star for consideration.

2.26 Ms Fleming added:

...further information was required. There was a period of engagement with the person who was interested.²³

2.27 At the Christmas Island hearing, Mr Asims informed the Committee that Soft Star had formally submitted a detailed proposal and business plan for the proposed casino operation in May 2013:

I would like to present the Committee with a full copy of the proposal as it was presented to the Commonwealth. The proposal addressed in detail all the key areas, as well as financial forecasts and benefits to the Christmas Island community.²⁴

2.28 Mr Asims claims that there has been little communication with the Minister's office or department officials (past and present) subsequent to submitting the Soft Star proposal and business plan:

Many of our follow up letters to the Commonwealth regarding this matter have gone unanswered.²⁵

2.29 Earlier this year, Soft Star says it was told that the Minister for Infrastructure and Regional Development had been advised by DIRD that the casino license on Christmas Island should not be issued in the absence of a competitive tender process.²⁶

2.30 Mr Asims told the Committee that the company had invested millions of dollars renovating the property in preparation for casino operations and felt let down, if this was the case:

We are greatly concerned why the tender option was not made known to us before we purchased the property. Had the Commonwealth made it known to us prior to the sale it would

23 Ms Robyn Fleming, Executive Director, Local Government and Territories Division, Department of Infrastructure and Regional Development, *Committee Hansard*, Canberra, 14 May 2015, p. 1.

24 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 32.

25 Soft Star, *Supplementary submission 9.1*, p. 1.

26 Soft Star, *Submission 9*, p. 7.

certainly have made a difference to our decision. We feel...deceived...²⁷

2.31 With regard to the current operation of the Christmas Island Resort, Mr Asims advised that the accommodation contract between Soft Star and the Department of Immigration and Border Protection (DIBP) had been terminated in February 2015. While Soft Star had continued to run the resort's restaurant facility, Mr Asims indicated that it would be ceasing operations until such time as business conditions pick up, or it can commence operating as a casino.²⁸

2.32 On the commercial viability or otherwise of the proposed new casino, Mr Asims emphasised that this will not be a problem for Government with the risk being borne by the private sector:

In granting a casino license to Soft Star the Commonwealth faces no risk whatsoever. The risk is a commercial one and falls entirely on the company. The company has thoroughly researched the gaming market in the region and conducted a feasibility study of a casino operation on the island and feels confident of success should approvals be granted and the casino project proceed.²⁹

2.33 On the issue of re-establishing flights between Christmas Island and Indonesia, which Mr Asims indicated was the reason for the former casino's closure, he assured the Committee that was resolved:

I am able to say that the capacity between Christmas Island and Jakarta is back in place. If we reopen the casino, there is not an issue about being able to get to the market.³⁰

2.34 Mr Brian Lacy, the IOT Administrator from 2009-2012, emphasised that the Christmas Island Resort is already equipped to operate as a casino:

It was recently refurbished...there is at least one proponent for the issue of a casino license for the Resort. It would appear that given a casino license the Resort could commence operations almost immediately.³¹

27 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 35.

28 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 35.

29 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 33.

30 Mr Michael Asims, Owner's Representative, Soft Star, *Committee Hansard*, Christmas Island, 9 April 2015, p. 36.

31 Mr Brian Lacy, *Submission 39*, p. 20.

Policy, legislative, regulatory and service delivery frameworks not in place

- 2.35 According to DIRD, following repeal of the Commonwealth legislation under which the previous casino on Christmas Island had operated, the issue is not so much whether there is a viable proposal, rather 'that there is no framework at the moment under which one can consider a license for a casino.' As Ms Fleming explained:

The government has to have a policy that it wants a casino to operate on Christmas Island. If it did want a casino to operate, what would be the regulatory framework that would operate to support such a proposal? And then, if we had a regulatory framework, what would be the operational service delivery arrangements and with what jurisdiction would they be negotiated to support such an arrangement? That would inform the cost structures that would need to be considered in the business case.³²

Committee comment

- 2.36 In Ms Fleming's own words, if a casino were to be reopened on Christmas Island:

The first decision is a policy decision to say that the government wants to pursue further consideration of such an approach...we need a policy framed to commence those processes.³³

- 2.37 The Committee understands that when the former casino operated in the nineties it was in the context of a legislative and regulatory framework that was established and administered by the Commonwealth.
- 2.38 The Committee can see no reason why something similar cannot be reinstated, albeit updated, as appropriate for 2015. With the appropriate direction from the Minister, DIRD could introduce the policy, develop and implement the legislative and regulatory frameworks using templates

32 Ms Robyn Fleming, Executive Director, Local Government and Territories Division, Department of Infrastructure and Regional Development, *Committee Hansard*, Canberra, 14 May 2015, p. 1.

33 Ms Robyn Fleming, Executive Director, Local Government and Territories Division, Department of Infrastructure and Regional Development, *Committee Hansard*, Canberra, 14 May 2015, p. 2.

from when the casino operated in the past or, if preferable, adapted from state or territory models.

2.39 The Committee anticipates that DIRD would have advice already prepared for successive Ministers on preferred options and a 'ready-to-go' *modus operandi*, given that successive parliamentary committees have recommended establishing a process to allow for a casino to operate again from Christmas Island.

2.40 Once the policy and legislative frameworks have been established, DIRD should seek expressions of interest from potential operators and determine an appropriate mechanism for granting a license. Seeking expressions of interest in the first instance should assist DIRD to determine whether competitive tender is appropriate in this case. Clearly it may not be an option if there is only a single viable proponent.

2.41 The previous Committee commented in its 2013 report that:

It cannot see any reason why the Commonwealth Government would not facilitate this venture, given that the commercial risk falls on 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.³⁴

2.42 The current Committee agrees. While reopening a casino on Christmas Island is not the whole answer to economic diversification, it can be a big part of the solution. It has been viewed as such by many, including the community, for many years now.

2.43 Work to facilitate the reopening of the casino on Christmas Island is long-overdue and should commence immediately. What is required is the political will to make this happen.

34 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, p. 33.

Recommendation 1

The Committee recommends that the Australian Government commit to reopening a casino on Christmas Island and establish the necessary policy, legislative and regulatory frameworks to allow for this without delay.

Once the necessary frameworks are in place the Department of Infrastructure and Regional Development conduct an appropriate process to assess proposals to operate a casino from private sector proponents.

International students on Christmas Island

Started and stopped

- 3.1 Over ten years ago, Christmas Island community groups and residents advised a previous JSCNCET that economic benefits could be realised from the provision of education to fee-paying students from South East Asia.¹
- 3.2 In its 2004 report, the then Committee recommended that the *Education Services for Overseas Students Act 2000* (Cth) (the ESOS Act), which at the time did not extend to the IOT, be amended which would allow the school on Christmas Island to offer educational services to overseas students.² The ESOS Act, which establishes legislative requirements and standards for the regulation of education and training institutions offering courses to international students in Australia on a student visa, was subsequently amended in 2007 to apply to the IOT.³
- 3.3 Mr Alan Thornton, school principal of the Christmas Island District High School for 15 years, appeared in a private capacity before the Committee on the day of his retirement. He noted that the idea of the IOT providing education services for fee-paying students from overseas had been well received, observing that:

1 JSCNCET, *Indian Ocean Territories – Review of the Annual Reports of the Department of Transport and Regional Services and the Department of Environment and Heritage (Australia’s external territories)*, August 2004, p. 22.

2 JSCNCET, *Indian Ocean Territories – Review of the Annual Reports of the Department of Transport and Regional Services and the Department of Environment and Heritage (Australia’s external territories)*, August 2004, p. 22.

3 Australian Government, ComLaw, <http://www.comlaw.gov.au/Details/C2007A00070>

[Christmas Island] being so close to Asia and having a multicultural environment, we [thought we] could get students and do quite well.⁴

- 3.4 Mr Thornton explained how approximately four years ago the Christmas Island District High School, with community backing, had applied for registration to offer courses to international fee-paying students:

So the school went through the process with the state and community backing- and I have a file so thick with information about that. The Government changed the [*Education Services for Overseas Students Act 2000 (Cth)*]⁵ so that the school could become an international school. We went through a process that involved a lot of scrutiny, a lot of applications and a lot of people came and looked at the school. We were finally offered a [Commonwealth Register of Institutions and Courses for Overseas Students] number and we became an international fee-paying school. ... We got our first lot of fee-paying students from Malaysia and Thailand, and it started to take off. We got inquiries from overseas.⁶

- 3.5 Mr Brian Lacy, the IOT Administrator from October 2009 until October 2012, confirmed that the school was formally recognised as an international school.⁷

- 3.6 Mr Thornton explained that although the school had in fact started to receive international fee-paying students, this had been subsequently disallowed. According to Mr Thornton:

A decision was then made by the Department of Infrastructure that we were not to do it anymore.⁸

- 3.7 Mr Thornton told the Committee that the only explanation offered to the school by the Department of Infrastructure and Regional Development (DIRD) was that:

4 Mr Alan Thornton, private capacity, *Committee Hansard*, Christmas Island, 9 April 2015, p. 23.

5 In evidence Mr Thornton referred to CRICOS – the Commonwealth Register of Institutions and Courses for Overseas Students. CRICOS is a searchable database of educational institutions in Australia registered to enrol and deliver education and training services to overseas students. It forms part of the Education Services for Overseas Students legislative framework.

6 Mr Alan Thornton, private capacity, *Committee Hansard*, Christmas Island, 9 April 2015, p. 23.

7 Mr Brian Lacy, *Submission 39*, p. 19.

8 Mr Alan Thornton, private capacity, *Committee Hansard*, Christmas Island, 9 April 2015, p. 23.

... a state government organisation was not allowed to collect money on behalf of the Commonwealth.⁹

- 3.8 Mr Lacy noted the reason offered by Mr Thornton for the cessation of international students at Christmas Island High School but said his understanding was that there were various circumstances at the time that prevailed to thwart operations, including detention centre activities:

It was my understanding that the building and operation of the detention centre was an issue in the plan not proceeding.

The Christmas Island school did run a camp school during my time as Administrator. That ceased as a result of the detention centre activities, which necessitated the school making provision for asylum seeker children and the consequent demand on housing and accommodation for the increased island workforce.¹⁰

- 3.9 Mr Thornton described the community's disappointment at the outcome, particularly in view of all the time and effort put into obtaining registration in the first place and the work that had gone into preparing for the international students' arrival. Mr Thornton observed that the disappointment was widespread in the community, as the school's capacity to host international students had the potential to contribute a range of economic benefits. He explained:

... a number of local businesses were looking at setting up accommodation on the island for students. We had at that stage about five or six study groups coming to the island every year that booked in consistently. We had written a curriculum on Christmas Island's science and ecology that Singapore schools were taking on and using this as part of their curriculum. So, they were sending tour groups of 20-25 kids over and staying for a week. We were using local tour guides ... local accommodation. We were employing a teacher part-time to take those kids out and teach them. It was a good thing for the economy. The northern airline was getting another 25 people on a flight both ways once every couple of months, and it was starting to build up.¹¹

- 3.10 Mr Lacy concurs that education is a potential new field of economic activity on Christmas Island. He stated:

9 Mr Alan Thornton, private capacity, *Committee Hansard*, Christmas Island, 9 April 2015, p. 23.

10 Mr Brian Lacy, *Submission 39*, p. 19.

11 Mr Alan Thornton, private capacity, *Committee Hansard*, Christmas Island, 9 April 2015, p. 23.

On Christmas Island, the education sector is one area in which new economic activity may be initiated in the near term with comparatively little financial investment.¹²

Restarting

- 3.11 On the face of it at least, the 2007 amendment extending the ESOS Act to the IOT, would imply that there was, at least in principle, support for the IOT to have the capacity to host fee-paying students from overseas. Indeed, the submission from DIRD to the current inquiry identifies the potential for the IOT to provide education services:

Given the unique environment on the IOT, there is potential to host visits from schools and tertiary institutions. Education and research in the environment, flora and fauna, tropical health, tropical climates are all areas of focus. The safe and pristine environment, in particular, makes the IOT attractive to schools and younger students.¹³

- 3.12 From the limited evidence provided to the Committee, it is not clear exactly why the Christmas Island District High School was stopped from hosting international fee-paying students, particularly after going through what appears to have been a lengthy and involved approval process.
- 3.13 The Committee sought more information from DIRD to clarify the issue relating to the collection of revenue on behalf of the Commonwealth by a third party, as according to Mr Thornton this was the only reason provided to the School for DIRD's decision to disallow the activity. The response from DIRD states that current and previous legislation, *the Public Governance and Performance and Accountability Act 2013* (PGPA Act) and the *Financial Management and Accountability Act 1997* respectively, 'require obligations on third parties that collect Commonwealth revenue'.¹⁴
- 3.14 Further, the Committee was advised that while the PGPA Act allows for some flexibility in the way that money can be collected, remitted and/or offset, a written requirement is required that outlines the way the third party will handle the revenue.¹⁵ DIRD added that it is currently working with the WA Department of Education to establish a written agreement
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12 Mr Brian Lacy, *Submission 39*, p. 19.

13 Department of Infrastructure and Regional Development, *Submission 36*, p. 5.

14 Department of Infrastructure and Regional Development, *Supplementary submission 36.1*, p. 1.

15 Department of Infrastructure and Regional Development, *Supplementary submission 36.1*, p. 1.

before 1 July 2015 in lieu of a broader Service Delivery Arrangement for education services.¹⁶

- 3.15 In response to a request from the Committee for information on the specific legislation, policy or regulation that would be needed to support the capacity of schools in the IOT to accept fee-paying students from overseas, DIRD replied:

An in- depth review would be required to ensure that no local student is disadvantaged from these potential enrolments; to identify any additional costs in delivery of education services in the Indian Ocean Territories and to consider what changes, if any, would be required to the curriculum.¹⁷

Committee comment

- 3.16 Despite seeking clarification on the matter from DIRD, it is still unclear to the Committee exactly why, after being granted approval under the ESOS legislative framework, permission for the Christmas Island District High School to accept international fee-paying students was then withdrawn soon after.
- 3.17 In the broader policy environment, the Australian Government is strongly committed to supporting the provision of education services for international fee-paying students, promoting this as one of Australia's strongest and most profitable 'exports.' Although there was only a brief period when the school on Christmas Island accepted international fee-paying students, it seems to have been sufficient to demonstrate the potential to contribute to economic diversification and to develop a sense of the possible flow-on benefits for the rest of community.
- 3.18 It would be most unfortunate if the absence of a revenue collecting mechanism was in fact the only reason that the Christmas Island school was prohibited from accepting fee-paying students from overseas. Given the 2007 amendment to the ESOS Act, extending the legislative and regulatory framework to the IOT allowing for registration to accept international fee-paying students, it would seem incongruous, to say the least, if the IOT were then disadvantaged and in practice unable to pursue this option as a result of legislative anomalies or administrative deficiencies.

16 Department of Infrastructure and Regional Development, *Supplementary submission 36.1*, p. 1.

17 Department of Infrastructure and Regional Development, *Supplementary submission 36.1*, p. 1.

- 3.19 The Committee notes that DIRD is continuing to work with the WA Department of Education to develop a written agreement, which may provide an appropriate mechanism for handling of Commonwealth revenue. However, in view of the protracted nature of these negotiations, the Committee considers that DIRD should, as a matter of course, investigate alternative mechanisms for handling of revenue that might be available under the PGPA Act.
- 3.20 The Committee acknowledges the importance of other issues raised by DIRD, in particular the need to consider the impact of hosting international students on local students, possible additional costs and revision to the curriculum. While it is clearly appropriate that due consideration is given to each of these matters, they are presumably not unique to the IOT or insurmountable given that there are hundreds of schools across Australia that are CRICOS listed and able to accept international-fee paying students.
- 3.21 The Committee recommends that the Australian Government, through DIRD as the responsible entity, take action to address any legislative anomalies or administrative deficiencies that could prevent educational institutions in the IOT from hosting international fee-paying students under the existing framework provided by the ESOS Act.
- 3.22 The Committee expects that DIRD will do everything possible to facilitate the capacity of the educational institutions in the IOT to apply for registration to accept international fee-paying students, if this is something that the school and the community want to pursue.

Recommendation 2

The Committee recommends the Department of Infrastructure and Regional Development take action to address any legislative anomalies or administrative deficiencies that may prevent educational institutions in the Indian Ocean Territories from providing educational services to international fee-paying students in accordance with the framework established by the *Education Services for Overseas Students Act 2000* (Cth).

Shipping and freight

Overview and government responses to-date

- 4.1 The Indian Ocean Territories (IOT) comprise remote islands that are reliant on sea and air freight for delivery of most goods including food and building materials.
- 4.2 Zentner Shipping Pty Ltd (Zentner) is the only enterprise providing a sea freight service to the IOT. It operates a services from Fremantle, Western Australia to the IOT ostensibly every 4-6 weeks.¹
- 4.3 Residents have repeatedly conveyed their concerns to successive JSCNCET inquiries about the high cost of freight and the implications this has for local communities, business and potential development. Previous committees have consistently recognised the importance of reliable and affordable shipping service for freight to the IOT. Past inquiries have considered ways to redress concerns, including through a subsidised shipping service and investigating importing goods to the IOT from outside of Australia using international shipping operators.²
- 4.4 The Australian Government is the single largest user of the shipping service to the IOT and the previous JSCNCET recommended it use this

1 Christmas Island Service Directory, <http://www.christmasislanddirectory.com.au/Services.aspx>

2 See for example, JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, pp. 38-42; JSCNCET, *Inquiry into the changing economic environments in the Indian Ocean Territories*, March 2010, pp. 129-139; and JSCNCET, *Current and future governance arrangements for the Indian Ocean Territories*, May 2006, pp. 48-51.

position to leverage the most cost-effective service for Government and the communities in the IOT.³

- 4.5 However, government responses to committee recommendations have not resulted in any changes to the status quo, with the Government maintaining that:

Shipping services operate on a commercial basis.⁴

- 4.6 In contrast while sea freight to the IOT is not Government subsidised, air freight on a weekly air freighter service is.⁵ This service is underwritten to improve community access to fresh fruit and vegetables and other goods.⁶

Ongoing issues – high cost, irregular sea freight service, inefficiencies and monopoly

- 4.7 IOT residents have ongoing concerns about the high cost of freight (particularly by sea, but also by air), the unreliability and inefficiencies of the shipping service, and Zentner's monopoly.

- 4.8 Witnesses on Christmas Island and the Cocos (Keeling) Islands complain about the high cost and poor quality of food. Ms Valerie Coleman of Christmas Island commented on the impact this has on residents' diets:

The availability of products and produce is highly dependent on shipping to this remote area in the Indian Ocean and Toll air freight. The supermarkets can often be described as representing 'feast or famine' particularly during the wet season.

This is to be expected when living remotely. What is of concern, however, is the high price of food, the general lack of regard for use by dates and often low grade produce. This is especially noticeable with fruit and vegetables...

Islanders on low incomes struggle to eat well and I am reliably informed that many senior citizens in the Asian community live on rice and noodles.⁷

3 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, p. 41.

4 Australian Government response to the JSCNCET *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, August 2014, p. 4 and JSCNCET, *The changing economic environment in the Indian Ocean Territories*, March 2010, p. 130.

5 Department of Infrastructure and Regional Development, *Submission 36*, p. 5.

6 JSCNCET, *Report on the visit to the Indian Ocean Territories, 21-25 October 2012*, June 2013, p. 40.

7 Ms Valerie Coleman, *Submission 5*, p.1.

- 4.9 Mr Haji Adams, a resident of Cocos (Keeling) Islands observed that the majority of Cocos residents receive Commonwealth assistance, are on low incomes and imported food 'prices are dear'.⁸
- 4.10 Mr Barry Haase, IOT Administrator said that the weekly Toll freighter by air is a great alternative to relying on sea freight and supplements fresh food intake but:
- ...is an incredibly expensive service and heavily subsidised.⁹
- 4.11 Mr Signa Knight referred to the cost of living pressures he experiences living on the Cocos (Keeling) Islands:
- ...freight costs are on the increase, and, at the moment, that has taken the bulk of [my] income to pay for stuff to the islands...
- This also applies to Freightshop. When it first started, Freightshop was charging \$4 a kilo, and then, throughout the years, it has gone up to \$6.90 a kilo.¹⁰
- 4.12 Mr Raymond Marshall, also of the Cocos (Keeling) Islands outlined the current sea and air freight costs and the infrequency of the shipping service in his submission, observing:
- Freight prohibitive pricing from shipping company
- \$11,300/container to Cocos
- \$11,300/container empty to Fremantle
- \$7,100 vehicle to Cocos
- Airfreight for food \$7.50/kg plus customs fees of \$65.
- Irregularity of service, for whatever reasons i.e. breakdowns, swell at Christmas Island, detours to Singapore.¹¹
- 4.13 On the irregularity of the sea freight service, the Department of Infrastructure and Regional Development (DIRD) stated:
- ...the regularity of the service is strongly influenced by the weather.¹²

8 Mr Haji Adams, *Submission 35*, p. 1.

9 Mr Barry Haase, IOT Administrator, *Committee Hansard*, Christmas Island, 9 April 2015, p. 30.

10 Mr Signa Knight, private capacity, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 25.

11 Mr Raymond Marshall, *Submission 29*, p. 3.

12 Department of Infrastructure and Regional Development, *Submission 36*, p. 5.

- 4.14 Mr John Clunies-Ross, a resident of Cocos (Keeling) Islands, businessman and Councillor, was critical of the high costs of delivering building materials, including cement when compared to the mainland. He emphasised that cement is crucial to enhancing and maintaining infrastructure, yet the costs are prohibitive:

Concrete delivered in Perth is under 100 bucks a cubic metre in some places. Here, in the ground, \$3, 200 because a tonne of cement is not a tonne. No, according to [Zentner], it is 1 and ½ tonnes. The fact that it only takes up half a cubic metre does not mean you get charged for half a cubic metre; it means you get charged for 1 and ½ cubic metres, because it is a little bit heavy?...He has now written that as part of the shipping code. The baseline for any development anywhere on Cocos Islands is cement, and he is punitively targeting the baseline economic movement of Cocos Islands.¹³

- 4.15 Mr Colin Bloomfield, owner of a small business on West Island of the Cocos (Keeling) Islands indicated that freight was one of his main concerns.¹⁴

- 4.16 Mr Gordon Thomson, President, Shire of Christmas Island similarly underscored the importance of freight to economic development on Christmas Island:

This relates to the expense of doing business and doing anything on Christmas Island.¹⁵

- 4.17 Mr Aaron Bowman, CEO, Shire of Cocos (Keeling) Islands spoke passionately to the topic, pointing out systemic flaws:

...Let's face it, the elephant in the room is shipping, freight: it is unreliable and it is the most expensive in the world, and the care factor is zero.

...How can we actually operate any business - I am talking about even the shire - when our holding costs are so huge?...you saw the empty freezers [in the supermarket]. Shipping here is a joke. I was told that four to six weeks is what is supposed to happen....Three months is probably more realistic, and \$12 and a ½ thousand for a container. I will give you an example. I

13 Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21.

14 Mr Colin Bloomfield, private capacity, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 27.

15 Mr Gordon Thomson, President, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 9 April 2015, p. 5.

understand someone bought a paving brick compactor 600 by 600 with a handle that folds down. When it went to the shipping company the handle was up, it was put on the pallet – nothing else was on the pallet; the handle was up – it was charged as 1.2 cubic metres.¹⁶

- 4.18 Mr Clunies-Ross also described various inefficiencies, and the impact on his business:

Everything from loss of stock from spoilage while waiting for the ship, cost of project delays, air freighting materials that could have gone by ship (if frequency was suited), weekly chartering of air cargo services, through to high stock volumes required to cope with the irregular service (and inherent extra spoilage).¹⁷

- 4.19 Mr Clunies-Ross added that Zentner charges \$12,000 a tonne to take rubbish off the island, which means that waste like aluminium is not taken off the island on the return trip to the mainland to be recycled, because the costs are prohibitive.¹⁸

- 4.20 Mr Clunies-Ross informed the Committee that Zentner does not offer discount rates for higher volumes of shipping:

If you bring up 50 containers you are on the same rate as if you bring up one.¹⁹

- 4.21 Mr Clunies-Ross observed that freight volumes in the IOT had increased in recent years, and concludes that the Commonwealth, being the largest user of the service, is not getting value for money presently.²⁰

- 4.22 Mr Bowman spoke about ways that he, as CEO of the Shire, tries to get better value freight for the local government, including bypassing Zentner's packing service:

I am sending my works manger and my mechanic to Perth for nine days – with accommodation, meal and allowance and flights...and we will save money...through our packing the ship

16 Mr Aaron Bowman, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 20.

17 Mr John Clunies-Ross, *Submission 6.1*, p. 1.

18 Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21.

19 Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21.

20 Mr John Clunies-Ross, *Submission 6.1*, p. 1.

ourselves and using every square inch. There is something wrong when I can do that and save money.²¹

4.23 Mr Bowman, Mr Haase and Mr Clunies-Ross emphasised that Zentner is the only shipping service to the IOT.²²

4.24 Mr Bowman summarised:

There is one supplier; there is a monopoly. He comes when he wants to come and does not come when he does not want to come.²³

4.25 Mr Clunies-Ross added:

The current system is that there is a bully in the yard and you are all scared of him ... he is doing us no favours and he is doing the Commonwealth no favours at all when 30 per cent of project value is in shipping the stuff here.²⁴

What are the obstacles to achieving more satisfactory outcomes, and how to overcome them?

4.26 The Committee wanted to know what, if anything, would prevent another operator from entering the market to offer an alternative to the existing service.

4.27 Mr Haase noted that a specific type of vessel is required to service Cocos (Keeling) Islands:

...they must have deck gantries because there is no crane to off-load shipping containers from the vessel onto the barges anchored in the lagoon.²⁵

4.28 Mr Haase said that the options for Christmas Island are greater because the vessels do not have to have their own deck cranes.²⁶

21 Mr Aaron Bowman, CEO, Cocos (Keeling) Islands, *Committee Hansard*, 8 April 2015, Cocos (Keeling) Islands, 8 April 2015, p. 20.

22 Mr Aaron Bowman, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, pp. 20-21; Mr Barry Haase, IOT Administrator, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21; and Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21.

23 Mr Aaron Bowman, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21.

24 Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21

25 Mr Barry Haase, IOT Administrator, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 23.

4.29 Mr Clunies-Ross informed the Committee that ‘self-servicing vessels,’ that is vessels with on-board cranes for loading and off-loading, were becoming increasingly common:

These vessels are now quite common through Indonesia because of the small islands throughout Indonesia....It is cheaper to take the crane with the ship than it is to build a crane in every port...so there is less fear of losing the trade to my mind.²⁷

4.30 So, while there used to be a shortage of ships, Mr Clunies-Ross contends this is no longer the case:

The increase in the middle classes through Malaysia has seen the self-servicing vessels double every ten years.²⁸

4.31 Mr Clunies-Ross said that the problem, now that the trade out of Perth has increased, is that the vessels being brought to the Cocos (Keeling) Islands are larger ones that cost more to operate. He expanded:

...they are really expensive [for Zentner] to hire. It is like taking an 80-seat bus to pick up your five mates and go to the pub. We only take up the back seat. Those ships, instead of being US \$20,000 a day to run, are US \$50,000 a day to run, so any delay in either port - and Christmas Island is a great delay port - he puts down on the ledger. That’s another \$50,000 I have to take off this to maintain my income. He has not had a choice in the ships because his relationship is not as an owner of the ship; he is only a part charter of the vessel. So, when they say, ‘We’re going up to a bigger vessel’, the financial pressure increases.²⁹

4.32 Mr Clunies-Ross argues that the Commonwealth Government is, at least in part, responsible for the current situation because in the past it had made a decision to use Zentner for shipment of its own freight without exploring the alternatives, including a shipping company previously operated by the Clunies-Ross family.

4.33 He suggests that, were the Commonwealth prepared to test the market for shipment of its own freight, it is possible that alternative operators might offer a better service:

I can have a ship on that line in eight days, I reckon, if the Commonwealth are grown-up enough to say, ‘For anyone who

26 Mr Barry Haase, IOT Administrator, *Committee Hansard*, Christmas Island, 9 April 2015, p. 30.

27 Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 23.

28 Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21.

29 Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 23.

has a contract with the Commonwealth for anything – be it uplifts for [teachers] or removing rubbish from the island – we have a scheduled service provider, and he will give you a fixed rate for that.³⁰

- 4.34 Mr Haase advised that from his perspective it appears that the Department was apprehensive about changing the status quo, for fear that the current service, however unsatisfactory, could completely derail:

There is a great fear in the Department that suggestion of competition for Zentner will see Zentner provide a less reliable service, will come less often. If the competitor that has been engaged has been engaged for one voyage only, perhaps they then walk away and Zentner threatens to do the same. There is a great fear that this might happen, because at this stage Zentner is the only routine. It is their discretion, their rates.³¹

- 4.35 When the Committee asked Mr Haase if DIRD might be prepared to consider using another operator, in order to improve the overall service, he responded:

In principle, the proposition is reasonable that until such time as another operator is encouraged to provide a long-term, reliable service there will be no change from the current Zentner situation...

The arrangement, from a contractual perspective, would require that all Commonwealth funded movements of freight or personal possessions would go on this alternative service in exchange for a guarantee of the regularity of the service. But you might need Jesus Christ himself to negotiate that.³²

- 4.36 Mr Clunies-Ross proposed that the Commonwealth should put the shipping service for government freight to the IOT out to tender:

As a minimum, 'expressions of interest' should be invited regularly to see what alternatives are available to allow informed decisions to be made.³³

30 Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21.

31 Mr Barry Haase, IOT Administrator, *Committee Hansard*, Cocos (Keeling) Islands, 8 April 2015, p. 21.

32 Mr Barry Haase, IOT Administrator, *Committee Hansard*, Christmas Island, 9 April 2015, p. 30.

33 Mr John Clunies-Ross, *Supplementary submission 6.1*, p.1.

Committee comment

- 4.37 The cost of freight to remote destinations by ship or by air is not cheap. The Department acknowledges the expense involved, borne by both residents and the Australian Government:
- Transporting building materials to the islands is most effectively achieved by sea freight, however this is expensive....
- The Government already subsidises airfreight and funds directed towards subsidising freight are funds which would otherwise be supporting the direct provision of services.³⁴
- 4.38 Clearly, having a reliable shipping service for transporting freight to the IOT is imperative for the communities and Commonwealth alike, as this is the most cost effective way to transport the bulk of items.
- 4.39 DIRD acknowledges that the cost of sea freight is an issue for the IOT:
- Some members of the community have indicated that the high cost of freight is negatively impacting on development and ongoing business operations.³⁵
- [While] the market to Christmas and Cocos islands is open....The market is an extremely small market. In terms of the description, it is a very thin freight route. It supports one operation. Because of that it is an expensive operation.³⁶
- 4.40 While on the Cocos (Keeling) Islands and Christmas Island it was the Committee's experience that the expense of freight and unsatisfactory nature of the service, as it stands, was one of the most frequent complaints from residents.
- 4.41 The Committee has heard, how the Australian Government as the biggest user of the shipping service, should have a vested interest in functionality and achieving value-for-money. It also has a responsibility to achieve the same for the IOT residents.
- 4.42 At Senate estimates in May 2015, the Senate Rural and Regional Affairs Committee, asked DIRD if it had ever sought expressions of interest from

34 Department of Infrastructure and Regional Development, *Submission 36*, p. 5.

35 Department of Infrastructure and Regional Development, *Submission 36*, p. 5.

36 Mr Andrew Wilson, Deputy Secretary, Department of Infrastructure and Regional Development, Rural and Regional Affairs and Transport Legislation Committee, Senate Estimates, *Proof Transcript*, 28 May 2015, p. 85.

the market for the delivery of Australian Government freight by sea to the IOT. DIRD responded:

I do not believe we have. From recollection, in my time within the organisation, I do not believe that we have worked through either the mechanics or economics of doing so.³⁷

- 4.43 In the Committee's view the Australian Government, through DIRD must be prepared to seek and then support alternatives to the status quo if things are to ever change in respect of sea freight. Enormous benefits are to be gained long-term if one or more alternative operators can offer a more reliable and cost-effective service.
- 4.44 The Committee also notes the recent notification about the Australian Government's intention to gradually reduce the weekly air freighter service, with a view to possibly terminating the service from January 2016.³⁸ If underwritten air freight services are to be reduced or disappear altogether, then a reliable, cost-effective shipping service for freight to the IOT will become more important than ever.
- 4.45 While there may be scepticism in some quarters that another provider could tender a commercially viable service, the Committee believes that an approach to the market to explore options is long overdue. The Committee recommends that DIRD call for expressions of interest in the first instance to assess the potential for other shipping operators to provide alternative services for the transport of Australian Government freight by sea to the Indian Ocean Territories.
- 4.46 Expressions of interest should address the following:
- frequency and reliability of the service;
 - on-board craneage capacity;
 - cost to transport Australian Government freight and the charging arrangements (e.g. cost-plus, versus fixed annual fee); and
 - cost to transport non-government freight and the charging arrangements.

37 Mr Andrew Wilson, Deputy Secretary, Department of Infrastructure and Regional Development, Rural and Regional Affairs and Transport Legislation Committee, Senate Estimates, *Proof transcript*, 28 May 2015, p. 85.

38 Office of the Administrator Indian Ocean Territories, *Community Bulletin Reference no. A14/2015*, 27 May 2015, p. 2.

- 4.47 The outcome of the expression of interest process, will assist DIRD to determine whether it is necessary and appropriate to follow through with a full tender process to achieve a best value for money outcome.

Recommendation 3

The Committee recommends that the Australian Government call for expressions of interest for the delivery of freight by sea to the Indian Ocean Territories for the carriage of Australian Government goods, to be followed by a full tender process if indicated by the outcome of this process.

Mining to Plant Enterprises Project: A case-study for potential economic diversification

Project scope

- 5.1 Established in 2012, the Mining to Plant Enterprises Project (MINTOPE) is a research partnership between Murdoch University and Christmas Island Phosphates.
- 5.2 MINTOPE evaluates the scientific merit of establishing agriculture on exhausted mining leases on Christmas Island, and has undertaken parallel research to determine if the soils and climate of the Cocos (Keeling) Islands are capable of producing agricultural crops.¹
- 5.3 The project is funded mostly through the Indian Ocean Territories Community Development Grants Programme, with the balance supported by Christmas Island Phosphates and Murdoch University. There is in-kind support from the Christmas Island Shire and the Water Corporation.² A grant from the Australian Research Council (to look at microbial biodiversity on island) supplements the project.³
- 5.4 The project has ambitious objectives, including:
 - facilitate the introduction of agriculture as a new economic driver for Christmas Island and establish a legacy beyond

1 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 1.

2 MINTOPE, *Submission 34*, p. 2.

3 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 1.

- mining that aims to reduce the reliance on imported food and produce economically viable export products;
- provide knowledge and recommendations on how to transition mining sites to arable lands;
 - develop the technical basis to establish a sustainable food chain using pulse legumes and cereals as the primary source to support small agro-businesses such as crop farming, poultry, aquaculture and horticulture;
 - trial plant species for the purpose of hard wood and plantations suitable for the cosmetic, pharmaceutical and perfume industries;
 - evaluate possibilities for integrated recovery and management of bio-wastes;
 - facilitate transmission of knowledge and experience between the MINTOPE team and the community in all forms of farming practice including broadacre mechanical cropping; and
 - provide local opportunities in tertiary level education and training in relevant sciences.⁴

Importance of reducing dependency on imported food

- 5.5 Limited fresh produce is grown on Christmas Island and the Cocos (Keeling) Islands. Successive JSCNCET inquiries have documented residents' dissatisfaction about the high cost of food in the IOT, which is nearly all imported (see Chapter four of this report). The poor quality of fresh produce by the time it reaches customers is another aspect. Ms Valerie Coleman observed:

Lettuces [cost] \$15...if [the produce] is not bought and eaten fairly quickly it doesn't often survive the week. Islanders on fixed incomes struggle to eat well.⁵

Planning framework integral

- 5.6 Redressing the island's dependency on imported food through encouraging rural development, including agriculture, horticulture and aquaculture, was one of the recommendations in the Crown Land Management Plan for the Indian Ocean Territories commissioned by the Attorney General's Department and completed in 2009.⁶

4 MINTOPE, *Submission 34*, p. 2.

5 Ms Valerie Coleman, *Submission 5*, p. 1.

6 Attorney-General's Department, *Report for Crown Land Management Plan for the Indian Ocean Territories*, Christmas Island, September 2009.

- 5.7 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE summarised other relevant recommendations of the Plan:

...the establishment of a research centre focusing on the sustainable production of equatorial land and marine food to assist in the introduction of agro-businesses into the island's economy; ...and that this strategy be implemented in the local planning strategy.⁷

- 5.8 MINTOPE explained how the recommendations of the Crown Land Management Plan were subsequently reflected in the 2011 Shire of Christmas Island Planning Strategy. In effect:

...all mining leases were included in the 'rural zone' of the Shire of Christmas Island Town Planning Scheme 2 in order to align with the standards of the Western Australian Planning Commission.⁸

- 5.9 MINTOPE said that planning framework provides a legitimate and robust statutory framework for MINTOPE's project.⁹

Overcoming the obstacles to agriculture

- 5.10 There has been a long-standing view that broadacre crop production in the IOT is not feasible.¹⁰ Problems include mineral deficiencies in the soil (including a serious deficiency of Nitrogen), mined areas devoid of organic matter - which makes growth of anything challenging - and high pH levels in most of the land. Additional challenges include seasonal conditions, variable rainfall, soil compaction (caused by machinery operation in mining activities) and pinnacle fields (sites where phosphate has been mined and self-standing limestone rocks or pinnacles are left and the phosphate mined around them: generally there is little soil left there and soil needs to be brought in to rehabilitate the sites.¹¹
- 5.11 Mr Ballard provided the Committee with examples of how MINTOPE had refined techniques to successfully establish agriculture on exhausted mining leases:

7 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 1.

8 MINTOPE, *Submission 34*, p. 2.

9 MINTOPE, *Submission 34*, p. 2.

10 MINTOPE, *Submission 34*, p. 3.

11 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 1 and MINTOPE, *Supplementary submission 34.1*, p. 1.

It has taken some time...due to serious compaction on the stockpile areas and working out how to manage the pinnacle fields. Only a couple of weeks ago we finished sowing a pinnacle field for the first time without any additional soil, which is the common practice for parks when they do the rehabilitation program for the government. They bring in four metres of topsoil to cover all that. Certainly in some areas that would still have to be done, but we were able to with the use of the agricultural equipment, mainly a chisel plough... get enough of the soil up and physically pick out the rocks, and sow a crop into land that we can harvest with a conventional self-propelled header that we have up there.¹²

- 5.12 Whilst the lack of Nitrogen (N) is the most limiting factor to crop production, the MINTOPE research team has found that this can be overcome through:

“N fixation” by legume crops such as soybean, mung bean, cowpea and lablab (all nutritious food). This removes the need to import expensive N-fertiliser to the IOT whilst providing high protein dietary food and feed materials.¹³

Success so far and community involvement

- 5.13 In addition to cowpea, lablab and mung bean crops, MINTOPE has cultivated peanuts, cereals (sorghum, millet, and dryland rice), and pumpkins on Christmas Island.

- 5.14 Sorghum and cowpea crops have been particularly successful:

We had some measurements done about a month or six weeks ago. The sorghum crop grew 70 tonnes per hectare of biomass in seven weeks and cowpea grew 24 tonnes of biomass. Both gave about 14 tonnes per hectare of dry matter in seven weeks, which is a significant amount of productivity...¹⁴

- 5.15 On Cocos (Keeling) Islands crops have been grown successfully on the old Quarantine Station and the Farm:

12 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 1.

13 MINTOPE, *Submission 34*, p. 3.

14 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 2.

Lablab and sorghum have been the most successful so far and although higher fertiliser rates are required [than on Christmas Island], insects have been less of a challenge.¹⁵

- 5.16 Mr Ballard said that community support and involvement is a driving force behind the project. MINTOPE consults with residents about what plant crops they want. For example, Christmas Island residents had asked if anything could be done to improve the pumpkins that grow in the wild there, but tended to be tasteless. MINTOPE found this was due to cross-pollination and had produced better tasting pumpkins:

We took new seed and planted that around our main site at Airport 4, and the taste is phenomenal.¹⁶

- 5.17 MINTOPE's community engagement strategy includes a recently held field day on Christmas Island where pumpkins were handed out (in their hundreds) and residents were shown around the project. While there had been scepticism about the viability of their project initially, Mr Ballard said that there was now community support across the board:¹⁷

One of our greatest achievements has been to overcome the negativity existing on the island about being able to successfully grow and harvest crops. Our field day in May was so successful that we have been able to convert our strongest on island critics to valuable supporters of our aims and objectives.¹⁸

- 5.18 The Christmas Island Women's Association (CIWA) indicated its approval for the project and appreciation for assistance with a community garden as well:

CIWA fully supports the development of the agricultural Mining to Plant Enterprise and the organic, sustainable vegetable production enterprise, 'Hidden Gardens' on CI.¹⁹

- 5.19 MINTOPE has designed a fertiliser mix to overcome productivity restraints, which it handed out to community members at the field day, for residents to use in their own home gardens.²⁰

15 MINTOPE, *Supplementary submission 34.1*, p. 2.

16 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 2.

17 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 2 and personal communication to secretariat by phone on 3 June 2015.

18 MINTOPE, *Supplementary submission 34.1*, p. 2.

19 Christmas Island Women's Association, *Submission 8*, p. 7.

5.20 The Chinese Literary Association voiced its support:

...[the project] looks very positive and we hope the government would support this project which will see agriculture on CI.²¹

5.21 Mr Ballard alluded to the collaborative nature of the project and emphasised that Phosphate Resources – as a major employer on island with a strong community focus - was very committed to the project, and willing to help out where it could.²²

Where to next - and scaling up

5.22 MINTOPE commented that it had taken several seasons to get to this point in its research, and that more research will be required to take crop production to the next level:

...the MINTOPE research will take several years, taking into account variations in climate from year to year and the adaptive reaction of plant species, before it can provide reliable data on yields and land preparation/management and before individuals and/or groups can formulate for themselves reliable business cases for agricultural investment...

Nevertheless...several hundred hectares could be leased to individuals or groups within a few years for the purpose of cropping, plantation or animal farming.²³

5.23 Opportunities present once agricultural production is proved to be economically viable. For instance, feed for cattle, chicken and fish could be produced, insects farmed and timber produced. Mr Ballard expanded on various possibilities:

...we can produce feed for a feedlot where animals can be fed and fresh meat can be provided to people on the island instead of having to pay \$40 a kilogram for frozen meat...

There are some potential opportunities for export into South-East Asia. The yields are good. The quantities would not be enormous, with perhaps the exception of things like pumpkins, because the

20 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 5.

21 Chinese Literary Association, *Submission 3*, p. 3.

22 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 5.

23 MINTOPE, *Submission 34*, p. 3.

acreage is not going to be enormous. There are only 2,500 hectares potentially available.

There are opportunities for other things down the track. We are looking at insect farming and we are looking at timber production. Some of the sites have already been planted; some of the native timbers on the island have already been identified as suitable for timber production, and they grow very quickly.²⁴

You could have cattle, goats and possibly sheep...It is a matter of finding the right variety or breed of sheep that would tolerate those conditions. It happens in other parts of the world, so we know how that can be done.

We have trials going on at the moment in silage production...

Challenger TAFE at Fremantle are happy to work with what we produce to develop a pellet for fish. That would make the aquaculture both on Christmas Island and the Cocos (Keeling) Islands more viable.²⁵

A further business opportunity would be a small abattoir for slaughtering animals for local consumption.

We are also trying to establish trials to use waste products, including Water Corporation waste products from sewerage treatment.²⁶

5.24 MINTOPE advised that it was preparing a proposal, MINTOPE 3, to secure a further \$200,000 in funding from the Commonwealth Government under the IOT Community Development Program. This would be complemented by additional cash and in-kind contributions from Christmas Island Phosphates, Murdoch University, the Shire of Christmas Island and the Water Corporation, and allow MINTOPE to continue its work for another twelve months.²⁷

5.25 MINTOPE said that longer term funding arrangements would be better for their project:

24 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 3.

25 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 4.

26 MINTOPE, *Supplementary submission 34.1*, p. 1.

27 Mr Neil Ballard, Cropping and Procurement Manager, MINTOPE, *Committee Hansard*, Perth, 8 May 2015, p. 3.

Subject to ongoing research we believe we can further refine the production packages. We need to have an understanding of what is required to convert old mines that haven't been left in a condition for immediate transition to agriculture...Crop species and varieties still needs a lot of work, to match them best to the climactic conditions and local threats such as insect populations.²⁸

- 5.26 Former IOT Administrator Mr Brian Lacy observed that trialling different crops over the past four years had been very successful. He said:

...[they] show promise of a viable economic enterprise.²⁹

- 5.27 On Murdoch University's involvement in the MINTOPE partnership, he added:

...tertiary education and research could be part of [boosting] the Christmas Island economy.³⁰

Committee comment

- 5.28 While on Christmas Island, the Committee had the opportunity to view the MINTOPE project site itself. The Committee saw a number of crops, including peanuts, pumpkins and lablab, all of which appeared to be growing well.

- 5.29 The project is impressive on a number of counts. Firstly, it is a collaborative effort underpinned by effective relationships with local government and industry, and embedded in the community. Secondly, the team have persevered over the years, including picking up from where they left off after missing a funding cycle in 2013. Thirdly, the project embraces possibility, experiments, refines techniques, and shares learnings. MINTOPE sees itself, rightly, as a catalyst for potential economic diversification in the IOT.

- 5.30 The Committee acknowledges that MINTOPE will need to obtain further long-term funding to continue to test commercial viability of agricultural production, and MINTOPE's position that additional land (outside the National Park on Christmas Island) should be released when research proves that agricultural production is a viable option.

28 MINTOPE, *Supplementary submission 34.1*, p. 1.

29 Mr Brian Lacy, *Submission 39*, p. 20.

30 Mr Brian Lacy, *Submission 39*, p. 19.

- 5.31 The Committee recognises the project's achievements to-date and wants to see it supported, and flourish.

Mr Luke Simpkins MP
Chair

23 June 2015



Appendix A – Submissions and other documentary evidence

Submissions

1. Phosphate Resources Ltd
2. Mr Jon Stanhope
 - 2.1 Supplementary to Submission 2
3. Chinese Literary Association of Christmas Island
4. Mr Julian Yates
5. Ms Valerie Coleman
6. Mr John Clunies-Ross
 - 6.1 Supplementary to Submission 6
7. Mr Steve Watson
8. Christmas Island Women's Association
9. Soft Star Pty Ltd
 - 9.1 Supplementary to Submission 9
10. Mr Tony and Mrs Roxanne Wilson
11. CONFIDENTIAL
12. Mr Rahmat (Madi) Signa
13. Australian Centre for Excellence in Local Government

14. Director of National Parks
15. Casino Management International
16. Regional Development Australia – Midwest Gascoyne
 - 16.1 Supplementary to Submission 16
17. Mr Russell Payne
18. Northern Bay Pty Ltd
19. Mr Peter Griggs
20. Calmy Planning and Design
21. CONFIDENTIAL
22. Dr Martin Drum
23. Department of Immigration and Border Protection
24. Malay Association of Christmas Island
25. Indian Ocean Group Training Association
 - 25.1 Supplementary to Submission 25
26. Christmas Island Tourism Association
27. Ms Bobbi Robertson
28. Ms Lisa Preston
29. Mr Raymond Marshall
30. Commonwealth Ombudsman
31. Western Australian Local Government Association
32. CONFIDENTIAL
33. Name withheld
34. Mining to Plant Enterprises (MINTOPE) Project
 - 34.1 Supplementary to Submission 34
35. Mr Haji Adam
36. Department of Infrastructure and Regional Development
 - 36.1 Supplementary to Submission 36
37. Christmas Island Neighbourhood Centre

38. Mr Alan Whitely

39. Mr Brian Lacy

Other documentary evidence

1. Phosphate Resources (related to Submission 1)

Attorney-General's Department Report for Crown Land Management Plan for the Indian Ocean Territories Christmas Island June 2009 (draft), prepared by GHD

Draft Shire of Christmas Island Local Planning Scheme No. 2 District Zoning Scheme, and map

Draft Christmas Island Local Planning Strategy May 2012 (parts 1-3)

2. Mr Jon Stanhope (related to Submission 2)

Various correspondence

Indian Ocean Territories Community Bulletin Edition 1: February 2014

3. Mr John Clunies -Ross (related to Submission 6)

Submission to former committee inquiry

4. Casino Management International (related to Submission 15)

Correspondence

5. Regional Development Mid-West-Gascoyne (related to Submission 16)

Indian Ocean Territories Regional Plan 2012-2017

Office of the Administrator Indian Ocean Territories Public Apology comunique

Draft budget IOT Regional Development Organisation

Project list

6. Softstar Pty Ltd (related to Submission 9)

Report on the structure, roles and responsibilities of Christmas Island Tourism Association, Prepared by Brian Lacy 14 October 2010

Christmas Island Resort Casino business case proposal (commercial-in-confidence) May 2013

7. Mr Russell Payne (related to Submission 17)

Christmas Island Chamber of Commerce submission to former JSCNCET inquiry

8. Mr Aaron Bowman, CEO, Cocos (Keeling) Islands Shire

Commonwealth Department of Agriculture notice about fisheries limits

9. Mr Signa Knight

Correspondence and various documents including Kenneth Chan's paper, *Cocos (Keeling) Islands: The Political Evolution of a Small Island Territory in the Indian Ocean*, prepared for the Pacific Islands Development Program at the East-West Center

10. Christmas Island Tourism Association (related to Submission 26)

Christmas Island Tourism Association Marketing Strategy 2010-2015

Quarterly reporting 1 Jan to 31 March 2015

Christmas Island Tourism Association Commonwealth Funding Account Profit and Loss Sheet March 2015

Christmas Island and Cocos Keeling Islands Marketing brochure in german

11. Calmy Planning and Design (related to Submission 26)

Curriculum vitae of Mr Hervy Calmy

12. CONFIDENTIAL**13. Christmas Island Neighbourhood Centre (related to Submission 37)**

Administrator's bulletin, Edition 4: September 2014

Office of the Administrator, A Mystery Solved - The Meaning of the Expression "Comparable Community in the Rest of Australia"

Community Consultative Committee (CCC) Charter

Accommodation Needs Assessment Christmas Island and Cocos (Keeling Islands) for Department of Regional Australia, IOT Administration, June 2011

14. Mr Andy Peppercorn (related to Submission 9)

Various correspondence.

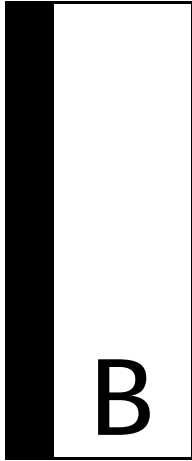
15. Department of Infrastructure and Regional Development (related to Submission 36)

Fact sheets for Indian Ocean Territories residents on Western Australian Government Services Delivery Arrangements with the Western Australian Departments of Commerce and Transport respectively

Timeline for review of Service Delivery Arrangements

16. Mr John Sorensen (related to Submission 18)

Statutory declaration



Appendix B – Public hearings and witnesses

Thursday, 26 March 2015 – Canberra

Phosphate Resources Ltd

- Mr Kevin Edwards, Chief Operating Officer and Company Secretary

Wednesday, 8 April – Cocos (Keeling) Islands

Shire of Cocos (Keeling) Islands

- Mr Aaron Bowman, Chief Executive Officer
- Mr Zak Lakina, Acting President
- Mr John Clunies-Ross, Councillor

Persatuan Kebudayaan Pulu Kokos

- Mrs Danie Olbio (Nek Namira), Secretary

Cocos Keeling Islands Tourism Association

- Mrs Juliane Bush, Marketing Manager

Australian Federal Police

- Acting Sergeant Kyle Saltmarsh, Officer in Charge

Private capacity

- Mr Keir Fraser

Administrator, Indian Ocean Territories

- Mr Barry Haase

Community statements

- Mr Colin Bloomfield, private capacity
- Mr John Clunies-Ross, private capacity
- Ms Darling Elat, Member, Seniors Group
- Mr Signa Knight, private capacity, through translator Mr Minkom

Thursday, 9 April 2015 – Christmas Island

Christmas Island Women's Association

- Ms Regine Andersen, Secretary
- Ms Nora Koh, President

Shire of Christmas Island

- Mr Gordon Thomson, President; and
- Mr Kelvin Matthews, Chief Executive Officer

Union of Christmas Island Workers

- Mr Gordon Thomson, General Secretary

Christmas Island Tourism Association

- Ms Karenn Singer, Manager

Christmas Island Islamic Council

- Mr Zainal Majid, President

Indian Ocean Group Training Association

- Mr Daniel Becker, General Manager
- Mr Chris Su, Chairperson

Arts and Culture Christmas Island

- Ms Patricia Power, Chairperson

Administrator, Indian Ocean Territories

- Mr Barry Haase

Softstar Pty Ltd

- Mr Michael Asims, Owner's representative

Friday, 10 April 2015 – Christmas Island

Community statements

- Mr Noel (Alan) Thornton, private capacity
- Mr Kamala Alagadorai, private capacity
- Mr Ron Lines, private capacity
- Mr Hafiz Masli, private capacity
- Mr Kelvin Matthews, private capacity
- Ms Trish O'Donnell, private capacity
- Mr John Richardson, private capacity
- Mr Billy Tan, private capacity
- Mr Stephen (Steve) Watson, private capacity

Friday, 8 May – Perth

Mining to Plant Enterprise (MINTOPE) project

- Mr Neil Ballard, Cropping and Procurement Manager

Regional Development Mid-West-Gascoyne

- Mr Alan Bradley, Executive Officer

St John Ambulance

- Mr Justin Fonte, Operations Manager

Private capacity

- Dr Martin Drum
- Mr Russell Payne
- Mr Rahmat (Madi) Signa

Thursday, 14 May – Canberra

Department of Infrastructure and Regional Development

- Ms Robyn Fleming, Executive Director, Local Government and Territories Division; and
- Ms Karen Lindsay, Acting General Manager, Jervis Bay and Indian Ocean Territories Branch.