



Australian Government
**Department of Infrastructure
and Regional Development**

Joint Standing Committee on the National Capital and External Territories

Inquiry into the Strategic Importance of the Indian Ocean Territories

Submission of the Department of Infrastructure and
Regional Development

February 2017

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1. Introduction

The Department of Infrastructure and Regional Development welcomes the opportunity to make a submission to the Joint Standing Committee on the National Capital and External Territories inquiry into the *Strategic Importance of the Indian Ocean Territories*.

This submission focuses on the Committee's Terms of Reference for the inquiry, in particular infrastructure development and impacts on the local communities of the external territories of Christmas Island (CI) and the Cocos (Keeling) Islands (CKI).

These territories are referred to as the Indian Ocean Territories (IOT, map at [Attachment A](#)). The submission also provides background information on the IOT ([Attachment B](#)) and the role of the Minister and the Department in supporting the communities and economies of these territories.

1.1 Infrastructure in the Indian Ocean Territories

Infrastructure is critical in supporting Australia's interests in the IOT, including the safety and wellbeing of the local communities and Australia's strategic capability in the region. Long-term investment in strategic infrastructure in the IOT includes investment in water, wastewater, power, fuel supply and storage, airports, ports, health services, roads, community buildings and housing. These capital assets and infrastructure support the provision of local and state-type government services to the communities and Australian Government agencies.

The Government, through the Department, manages a large number of assets on CI and CKI. Major assets, including the ports and airports, are managed via contracts with the private sector, Service Delivery Arrangements (SDAs) with the Western Australian (WA) Government, or directly by Government officials in the locally-based IOT Administration (IOTA). In 2016-17, the Comcover insured value of the Department's administered assets (in external territories and the Jervis Bay Territory) is \$1.188 billion, with approximately 89 per cent of this attributed to assets on CI and CKI.

The Government provides funding for routine infrastructure works in the external territories and the Jervis Bay Territory through the Administered Capital Budget (ACB) appropriated to the Department. In 2016-17, the ACB expenditure in CI and CKI is projected to be \$8.4 million (as at 1 February 2017). This is below industry standards which see capital funding provided annually at approximately three to four per cent of the asset value. However, the Government has provided additional funding for a range of one-off, large scale infrastructure works, such as jetty upgrades on both CI and CKI. A list of significant projects completed since 2011 and major works currently underway is at [Attachment C](#).

Given the limited ACB, project proposals are assessed by the Department to ensure those presenting the highest priority are addressed (e.g. supporting safety, service delivery and community needs). A number of key assets are ageing, such as the CI port crane and moorings, and will shortly require replacement and/or upgrading. Increased or additional funding will be required to support investments of this scale.

The IOT are geographically remote and assets are impacted by harsh tropical climates. Infrastructure projects are reliant on sea freight for delivery of construction materials and major projects frequently require appropriately skilled tradespersons to relocate temporarily to the IOT. These factors drive up the cost of capital works, and maintenance and repairs, by two to three times that on the mainland.

Coastal erosion and swell events impact on critical infrastructure and community amenity on CKI. As a sandy atoll, large sand deposits on CKI move over time, resulting in accretion in some areas and erosion in others. The Government has provided approximately \$4.1 million to the Shire of the Cocos (Keeling) Islands since 2013 for coastal erosion mitigation works to protect infrastructure including

fuel storage infrastructure, the West Island health clinic, key roads and residential properties. These collaborative efforts between the Government and the Shire have resulted in reducing infrastructure risks while also providing employment opportunities for the local community.

Peak weather events can also impact on assets and capital needs. Recent instances have included:

- In March 2014, CI was impacted by Cyclone Gillian. Fortunately, the cyclone passed to the north of the island but large swells, squally winds and heavy rain resulted in clean up and repair costs to the Department of approximately \$0.6 million. Additionally, the mooring system at the alternate port facility (at Norris Point) moved in the cyclone, rendering the facility unserviceable.
- In October 2016, CI experienced extreme rainfall resulting in four major land slippages behind the Kampong residential area and Flying Fish Cove boat ramp. A Government-owned rockfall fence which protects this area, as well as road access to fuel storage and wastewater facilities at Smith Point, was damaged during the land slippages. Damage caused by these unprecedented rains has required short-term works to repair the fence, with replacement options also requiring long-term consideration. Further planning may also be required to manage stormwater movements from elevated sections of Murray Road to reduce the likelihood of further land slippages.

1.2 Impacts on Local Communities

There are a range of Government activities in or near the IOT with a number of agencies having a regular presence in the IOT. Staffing numbers can fluctuate appropriate to activities, and these agencies include the Department of Immigration and Border Protection (DIBP), the Department of Defence (Defence), the Department of the Environment and Energy (through Parks Australia), the Department of Agriculture and Water Resources, and the Department of Infrastructure and Regional Development (through IOTA, which operates under the Department's direction).

On-island Government personnel support the local communities by participating in sporting activities, volunteering in community events such as beach clean-ups, supporting local charities and supporting commemorative events such as ANZAC Day. Visiting personnel from Government vessels and aircraft also contribute to the local economies and community activities.

The effects of Government activity in the region, including changes in population size, can have a significant impact on the local communities of CI and CKI. The June 2012 AECOM report on the *Social and Economic Impacts of the Immigration Detention Centre on the Christmas Island Community* demonstrated a range of these impacts, including a \$30 million per year contribution to Gross Regional Product as well as both social benefits and impacts.

A fall in economic activity each time a large employer leaves the IOT has a flow-on effect to the local economy, including employment and the viability of businesses. This is true for both private sector employers and Government entities, and these boom-bust cycles can also have a detrimental effect on the social fabric of the community.

Most recently, the reduction in immigration activities from late 2014 has resulted in a decline in economic activity and the closure of some small businesses on CI. At the same time, there has also been renewed interest in local tourism activities. Some examples of factors driving renewed interest in tourism opportunities include the recent establishment of a scuba diving business, the near completion of negotiations on a new tourism development within the CI National Park, the commencement of chartered air services by Garuda Indonesia between CI and Jakarta, proposals from at least three parties for new commercial accommodation and tourism developments, and the

December announcement of both CKI and CI as having the top ten beaches in Australia (beaches numbers one and seven respectively).

2. Role of the Minister and the Department

The Government acts as both the Commonwealth and state-level government in the IOT. In accordance with the *Christmas Island Act 1958* and the *Cocos (Keeling) Islands Act 1955*, the Minister for Local Government and Territories holds state-level Ministerial and administrative powers and functions under Western Australian applied laws and Commonwealth Ordinances. The Minister delegates some of these administrative powers to government officials, the Administrator of the Territories of Christmas Island and the Cocos (Keeling) Islands, and the local Shire Councils.

The Government, through the Department, is responsible for administration of the IOT including maintenance of good governance, provision of state-level services (including power, health and housing), funding and delivery of new infrastructure and its maintenance (see 2.1), as well as the management of the Government's interests on CI and CKI. The Department also maintains the legislative framework and undertakes policy development to support economic development and liveability in the IOT. The Department has staff working on IOT matters in its offices in Canberra, Perth and on CI and CKI.

The Department administers an annual services budget for the IOT, which is \$109.1 million in 2016-17.

	2015-16	2016-17	2017-18	2018-19	2019-20
<i>Appropriation funding</i>	\$89.5m	\$88.9m	\$89.0m	\$84.4m	\$85.7m
<i>Special Account</i>	\$21.3m	\$20.2m	\$18.2m	\$15.9m	\$15.1m
<i>Combined Appropriation and Special Account Budget</i>	\$110.8m	\$109.1m	\$107.2m	\$100.3m	\$100.8m

Table 1: Includes funding for both CI and CKI

2.1 Service Delivery Arrangements

Many of the services provided by the Government, including in education, community services, water and wastewater operations management, are delivered through SDAs with WA Government agencies. Forty-two WA agencies provide services to the territories, with a combined annual budget of approximately \$35 million in 2016-17. SDA factsheets can be found on the Department's website at: www.regional.gov.au/territories/publications/sda-factsheets-wa/index.aspx.

2.2 Land Management

The Department manages Crown land on CI and CKI, with any sale or lease of Crown land on CI and CKI undertaken in accordance with the Commonwealth Property Disposal Policy, administered by the Department of Finance. The *Christmas Island Crown Land Management Plan* will support economic development on CI, and is expected to be released in 2017.

Most land (approximately 85 per cent) on CKI is the subject of two trusts, with the Shire of CKI acting as trustee. The Government has no formal role in the administration of CKI land trusts, nor does it have the authority to make decisions about the land trusts' administration or operation. The Department will also develop a Crown Land Management Plan for CKI.

2.3 Collaboration with Department of Defence

The Department works with Defence on a collaborative basis. Defence utilises the Department's facilities and services on CI and CKI including aviation operations from the airports, the diesel fuel contract with Indian Ocean Oil Company Pty Ltd, and the port and mooring facilities primarily on CI. Defence also owns a hangar at the CI Airport which supports their operations.

Bilateral forum

In mid-2014, the Department established a bilateral forum with Defence to discuss strategic issues and areas of collaboration in the external territories. The second meeting was held on 1 July 2016.

Maintaining an open relationship with Defence allows the Department to gain information and take into account the financial impact of maintenance, repair and other ongoing costs of infrastructure and major assets used by Defence, as well as benefiting from shared facilities and infrastructure.

Airport upgrade on CKI

The 2016 Defence White Paper, released on 25 February 2016, sets out a plan for Australia's defence, including its external territories. The Government has committed to upgrading the CKI Airport runway and associated infrastructure (approximately \$200 million).

The Department is assisting Defence with planning for its CKI runway project by offering support and advice, and facilitating land for their use at the CKI Airport through a Memorandum of Understanding (MoU) with the Royal Australian Air Force (RAAF). The upgrade is intended to enable maritime surveillance operations to be conducted from CKI by Defence's new Poseidon 8 aircraft. Without the upgrade, this aircraft cannot operate from CKI due to runway strength limitations. The project will also increase local economic activity and support local service providers.

Fuel supply and storage on CI

CI has a high dependency on fuel to maintain essential services and operations due to its isolated location. The Department manages the supply of diesel to CI for power generation and the maintenance of its associated storage infrastructure through a commercial contract with the Indian Ocean Oil Company Pty Ltd (currently to February 2019).

Defence is also a major user of diesel for resupply of vessels. An MoU was established in 2015 between the Department and Defence to enable co-operation in the procurement, management and provision of diesel supply services at CI.

Under the MoU, Defence contributes towards the maintenance and operation of the diesel supply and storage assets on CI, and achieves cost savings through the purchase of diesel under the Department's contract. The Department and Defence share administrative costs and utilise combined economies of scale to achieve a value for money outcome.

The success of this arrangement is likely to inform other similar projects that may be undertaken by Defence as part of the Fuel Network Review at both CI and CKI for other fuel types.

3. Conclusion

While portfolio responsibility for defence and regional security lies with other agencies such as Defence, DIBP and the Department of Foreign Affairs and Trade, the Department of Infrastructure and Regional Development plays a key role in informing and facilitating government activities in the IOT. In addition to portfolio responsibilities for maintaining appropriate legal frameworks and services to the communities, the Department manages significant and critical infrastructure that also supports Australia's strategic capabilities and interests. It is important that long-term policy decisions are

informed by local arrangements and community needs, and supported by adequate investment in strategic infrastructure and services.

Attachment A: Map of the Indian Ocean Territories

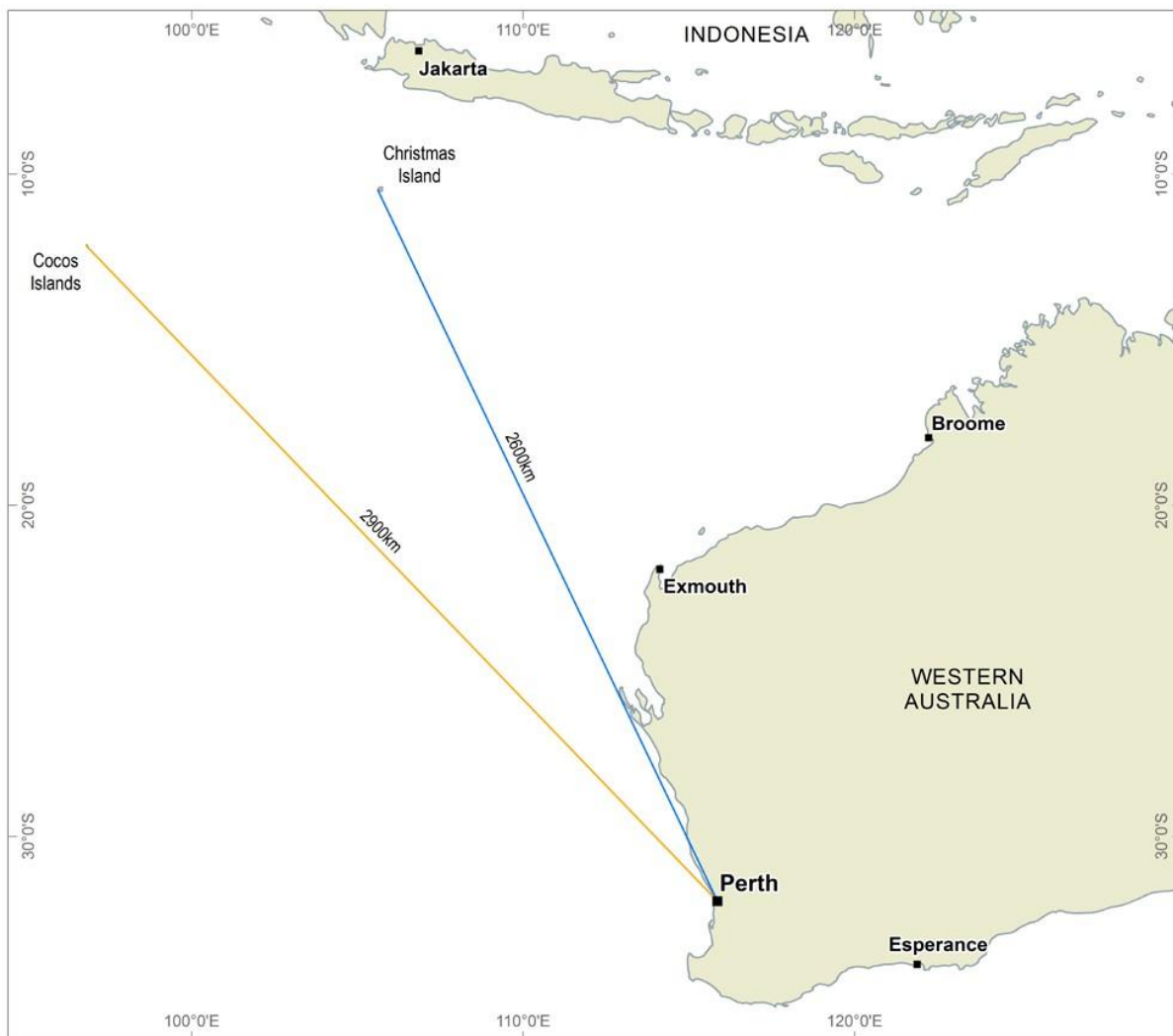


Figure 1: Map of Christmas Island and the Cocos (Keeling) Islands (approximate distances relative to Perth)

Attachment B: Background Information on the Indian Ocean Territories

1. Geography

CI is located 2,650 kilometres northwest of Perth and 494 kilometres south of Jakarta, Indonesia. The island is the summit of a submarine mountain and is 17 kilometres long and 20 kilometres wide, totalling 135 square kilometres.

CKI are located 2,950 kilometres northwest of Perth and 1,274 kilometres west-southwest of Jakarta, Indonesia. CKI consists of 27 coral islands formed into two large coral atolls. Only two islands – Home Island and West Island – are inhabited. The islands have a total land area of 14 square kilometres.

2. Population and cultural diversity

The population of CI was 2,224 in 2014 with a median age of 34 years (ABS 2014 estimates). Close to half the population was born in Australia (48.6 per cent), with 8.1 per cent of the population born in Malaysia, 3.4 per cent in Singapore, 2.8 per cent in England and 1.2 per cent in New Zealand. The 2016 Census data is expected to indicate a significant reduction in the CI population when released in 2017. The Shire of CI estimates the current population is around 1,200.

The population of CKI was 578 in 2014, and the median age of residents was 40.9 years (ABS 2014 estimates). Approximately 87 per cent of the population of CKI were born in Australia, with 5.5 per cent of the population born in Malaysia, 2.1 per cent in Singapore, 1.1 per cent in England and 0.8 per cent in New Zealand.

The IOT's predominantly Chinese, Malay and Cocos Malay communities maintain close family, business and cultural links with South-East Asia. No Australian communities are further removed from the mainland and yet closer to major South-East Asian centres.

3. Environment

The National Park on CI accounts for 63 per cent of island and is administered by Parks Australia. Most of the remaining land is Crown land administered by the Department, with a small amount privately owned.

The CI National Park is ecologically significant, hosting:

- 18 endemic terrestrial species listed as nationally endangered under the *Environment Protection and Biodiversity Conservation Act 1999*;
- 2 wetlands listed under the Ramsar Convention as wetlands of international importance; and
- Much of the island's seabird nesting habitat, including the endangered-listed endemic Abbott's Booby and CI Frigatebird.

In CKI, Pulu Keeling National Park covers all of North Keeling Island.

4. Economy

The primary drivers of the CI economy are the phosphate mine, operated by Phosphate Resources Limited (PRL), and the immigration detention centre. PRL and the Government are the main employers on CI. Tourism and small-scale agricultural production also contribute to the island's economy.

CKI's economy is steady, with little growth. The primary driver of the islands' economy is Government activity. The Cocos Co-operative Society Limited is the main private employer.

The IOT economies generally are affected by other challenges, similar to those facing small, remote communities on the mainland, such as vulnerability to extreme weather events, ageing infrastructure and limited and expensive air services. In these communities, the cost of living is high and there is a perceived limited supply of land for commercial and residential development. Some of these challenges are difficult to overcome and are the focus of long-term efforts by the Government to improve economic opportunities and self-sustainability.

Mining

Phosphate mining on CI dates back to the 1890s and was the genesis for establishing a settled population on the island. PRL has operated on CI since 1990 and is the island's main private sector employer with approximately 200 employees in mining and subsidiary businesses. The mine also funds the rehabilitation of previously mined sites under the terms of the Mining Lease, and supports community projects and events.

It is estimated that the phosphate mine has a remaining operational lifespan of six to seven years, which may be extended through additional mining leases and exploratory drilling.

Immigration activities

DIBP currently operates an Immigration Detention Centre (IDC) at North West Point on CI.

The Department has a Memorandum of Understanding (MoU) with the DIBP for use of nominated buildings at the Quarantine Station on West Island, CKI for immigration related activities.

Tourism

Most tourism activities in the IOT are nature-based and include bird-watching, snorkelling, scuba diving, nature walking, and the annual red crab migration. Tourism activity on both islands is low, with around 800 to 1,200 tourists visiting CI and 1,500 visiting CKI each year.

Access for tourists to the IOT is challenging given its remoteness, the high cost of airfares from the mainland, and the absence of Regular Passenger Transport flights from Asia, including no current international flight to CKI.

The establishment of new dive operations on CI and weekly charter flights to CI from Jakarta are opening up new tourism and investment opportunities.

Communications

Business activity is expected to benefit from the Government's investment in the islands' communications networks through the NBN Co Sky Muster satellite service, and on-ground equipment is currently being installed on both islands. The Government is also liaising with the private sector about the opportunities arising from a proposed undersea cable between Australia and Singapore that may link to CI and provide high speed internet.

Agriculture

A lease for a market garden was signed in 2014 with Hidden Garden Sustainable Farm providing 22 hectares of Crown land on CI. Hidden Garden has commenced work on a commercial-scale operation and is supplying lower cost fruit and vegetables to residents. Honey and eggs are expected to be provided in the longer term.

The Mining to Plant Enterprise Project (MINTOPE) on CI, a collaboration of Murdoch University and PRL, is investigating the potential for commercial agriculture on spent mining leases through a range of activities, including soil transformation, plant cultivation and community education.

Attachment C: Infrastructure Projects in the Indian Ocean Territories

Key IOT Infrastructure Projects

Year	CI/CKI	Project	Cost	Description
2016-18	CI	Stage one Port Crane and Moorings Upgrade	\$600,000	Design phase and procurement strategy
2016-18	CI	Upgrade airport terminal roof	\$900,000	Airport Terminal Roof replacement
2016-17	CI	Replacement Recreation Centre gym floor	\$200,000	Redesign and replacement of gym flooring
2016-17	CI	Supplementation to the air conditioning to the Oral Health Facility	\$555,000	Installation of dehumidifier unit to Oral Health Unit and minor works
2016-17	CKI	Stage one of Slipway Project	\$150,000	Design phase
2015-17	CKI	Replacement of three Fire Trucks (Home Island, West Island, CI)	\$920,900	
2015	CI	Additional Aviation Fuel Storage Facility (CI Airport)	\$2.376 million	Design/Construct/Install 3 x 110kL aviation fuel storage tanks at CI Airport.
2015	CI	Remedial Works – Service Station & Rocky Point Fuel Facility	\$1.261 million	Upgrade to service station facility and equipment. Design/Construct/Install 1 x 110kL petrol storage tank and refurbish retaining wall at Rocky Point.
2015	CKI	The West Island Power Station	\$1.6 million	Delivered increased capacity and allows for increased peak loads without major change to operations.
2015	CKI	The Home Island Desalination Plant	\$3.1 million	Developed to meet the water needs of Home Island population.
2015	CI	The Flying Fish Cove Jetty Extension and Access Ramps	\$14.5 million	A 40m extension to the existing jetty with a low level platform at sea level.
2014	CI	Additional diesel storage tanks at CI Power Station	\$1.978 million	Design/Construct/Install 4 x 110kL diesel storage tanks at CI power station.
2014	CI	Hospital Extension	\$5.7 million	Extension to the hospital and refurbishment of the oral health clinic.

2014	CI	New Housing Programme	\$26.6 million	28 apartments to accommodate staff and 2 existing houses purchased.
2013	CI/CKI	Air Conditioning	\$1.8 million	Improved air conditioning at both the CI hospital and the CKI health clinic.
2012	CI	Power Station	\$31 million	New office and electrical workshop and the installation of new generators.
2011	CKI	Rumah Baru Freight & Passenger Facility	\$39 million	Design/Construct. Facility includes: ferry berth; barge landing ramp; passenger shelter; quarantine washdown area; fuel storage and dispensing facilities.