



Australian Government

**Department of Regional Australia,
Local Government, Arts and Sport**

Dr Kathleen Dermody
Secretary
Senate Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

Submission to the Inquiry into the Indian Ocean region and Australia's foreign, trade and defence policy

Please find attached the Department of Regional Australia, Local Government, Arts and Sport's submission to the Senate Standing Committee on Foreign Affairs, Defence and Trade for the Inquiry into the Indian Ocean region and Australia's foreign, trade and defence policy.

Yours sincerely

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Director
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NH June 2012

Submission

Overview - The Indian Ocean Territories

The Indian Ocean Territories (the Territories) comprise the non-self-governing Territories of Christmas Island and the Cocos (Keeling) Islands. Both Territories are governed directly by the Australian Government, which fulfils the role of Commonwealth and state-level government. The Territories were accepted by the Commonwealth by the *Christmas Island Act 1958 (Cth)* and the *Cocos (Keeling) Islands Act 1955 (Cth)*. Section 122 of the Commonwealth Constitution empowers the Commonwealth Parliament to make laws for the government of any Territory under the authority of and accepted by the Commonwealth.

General comments

The Territories have an enduring strategic importance to Australia, yet they are two of its most isolated communities. Christmas Island, with a permanent population of just under 2,000 people, is approximately 2,650km – a four hour flight – northwest from Perth, approximately 500km from Jakarta and 1,300km from Singapore. With a population of 600, the even more remote Cocos (Keeling) Islands are some 2,950km from Perth, 980km west of Christmas Island and 2,800km southeast of Colombo, Sri Lanka.

A March 2010 report by the Australian Strategic Policy Institute (ASPI)¹ states that ‘Australia has extensive strategic, economic and environmental interests in the IOR [Indian Ocean Region]’.

While remote, these Territories are nonetheless strategically located at Australia’s western frontier to the Indian Ocean Region, a region that is growing in influence and importance. Through ownership of these Territories, Australia’s marine interests are extended beyond the continental shelf of the mainland and its associated Exclusive Economic Zone.

The Australian Government’s 2009 *Defence White Paper* notes that the Indian Ocean region is of increasing strategic and security importance to Australia and views the Indian Ocean region as playing an increasingly important role within the Australian Defence Force’s primary operating environment. This encompasses: ‘...transnational security risks, such as piracy, as well as growing strategic competition within the Indian Ocean, along its periphery, and through its traits leading to and from it’. The current Defence Posture Review has also highlighted the strategic importance of the Territories and indicated that Cocos (Keeling) Islands may potentially be used for joint military purposes in the future.

It is in Australia’s national interests to ensure that viable, stable and sustainable communities on Christmas Island and the Cocos (Keeling) Islands confirm Australia’s sovereignty over these small, remote land masses and ensure that a civil, as well as military, presence in this region is maintained.

Christmas Island and the Cocos (Keeling) Islands are relatively new parts of Australia, becoming external Territories in the 1950s, and each has a unique history that is linked with that of the nation. These histories include the sinking of the German Cruiser the *SMS Emden* off the Cocos (Keeling) Islands by *HMAS Sydney (I)* in World War I. They include the story of the unknown sailor, whose body was recovered off Christmas Island and interred there for 60 years until its rediscovery in 2006 - the only member of the *HMAS Sydney II*’s company to be found. They include a long history on Christmas Island of multiculturalism and acceptance. They include the request made by the people of the Cocos (Keeling) Islands to integrate fully with Australia through a United Nations-supervised *Act of Self Determination* in 1984 and the promise made by Australia to respect the Islanders’ traditions, culture and religious beliefs.

The construction of the Christmas Island Immigration Detention Centre has formed the basis of increased immigration activity on Christmas Island over the last decade. Christmas Island continues to

¹ Sam Bateman and Anthony Bergin, 2010, *Our Western Front: Australia and the Indian Ocean*

be a reception point for irregular maritime arrivals, which places additional demand on local services and infrastructure.

Both Territories provide resupply and refuelling opportunities to Australian Defence Force and Border Protection vessels and aircraft.

Each Territory has a unique, diverse environment with world-renowned, iconic species, and National Parks to protect their biodiversity - including Australia's most remote National Park, Pulu Keeling National Park, located on North Keeling Island. Australia is a signatory to international agreements that identify habitats for migratory species and areas of high conservation value within the Territories.

Governance arrangements

The Minister responsible for Territories is the Hon Simon Crean MP, the Minister for Regional Australia, Local Government, Arts and Sport. The Minister is represented in the Territories by an Administrator appointed by the Governor-General. Residents of the Territories are represented federally by Northern Territory Senators and the Northern Territory electorate of Lingiari.

Christmas Island and the Cocos (Keeling) Islands both have elected shire councils which have similar responsibilities and powers to WA shire councils. The Territories' shire councils receive funding directly from the Commonwealth that reflects the financial assistance grants and roads funding received by mainland shire councils. The Shire of Cocos (Keeling) Islands also fulfils the role of trustee for the majority of land in that territory, which is held in trust for the local community.

Most Commonwealth laws apply in the Territories as they would in mainland States and Territories. A modern body of state-level law is provided by applying the laws of Western Australia (WA) to the Territories. Once applied, these laws become subordinate Commonwealth laws. The Governor-General may also create ordinances for the peace, order and good government of the Territories, and to amend or repeal WA laws where they are inappropriate or not relevant to the Territories.

Government services

The Australian Government provides services to support the economic and social sustainability of the Territories. Services are provided at a level comparable to the level of services provided in similar remote communities in mainland Australia.

The Department of Regional Australia, Local Government, Arts and Sport (the Department) provides some state-level services directly to the Territories, including

- health services, which are provided by the Indian Ocean Territories Health Service (IOTHS), operated by non-APS staff employed directly by the Minister responsible for Territories (IOTHS is supported by the Department and is funded through the administered services programme for the IOT);
- power supply, which is provided by the Indian Ocean Territories Power Authority (IOTPA);
- community housing for Commonwealth employees and for eligible community members (eligibility is means-tested using the WA eligibility criteria to assess applicants); and
- land planning and management.

The Department is also responsible for providing other State-level services through 42 service delivery arrangements with Western Australian Government state agencies, including arrangements to operate the schools in the Territories and provide regulatory oversight in a range of areas.

The Australian Federal Police also provide a community policing function through an arrangement with the Department.

The Department maintains contracts with private sector service providers for a range of State-level services in the Territories, including management of ports, airports, water and waste water infrastructure, and supports air transport links with the Territories through a contract with a commercial airline. The Department also manages the Indian Ocean Territories State-type Grants Program, which enables local government authorities, community groups and community members to apply for funding

similar to that which is available to Western Australians under grant programs operated by the WA Government.

Federal services are provided directly by Commonwealth agencies including the Australian Federal Police, Australian Customs and Border Protection, Australian Quarantine and Inspection Service, Parks Australia, and the Department of Immigration and Citizenship.

Economies of the Territories

The Territories' economies face similar constraints and limitations as remote communities in mainland Australia. The costs of remoteness, including freight and transport costs and limitations to communications services, pose challenges for any economic development strategy for the Territories.

The Territories rely on commercial shipping for bulk freight, including essential supplies such as food, consumer goods and building materials. Freight is a major underlying cost of almost all economic activity in the Territories. Shipping services are provided by private enterprise on a commercial basis, although the Department effectively subsidises port fees.

The Commonwealth has made significant investment in infrastructure in the Territories including ports, airports and utilities infrastructure. The Commonwealth also supports local economic development groups to identify and support business and investment opportunities in the region and provides grant funding for this purpose.

Christmas Island

Christmas Island's economy is dominated by phosphate mining and immigration activities linked to the Christmas Island Immigration Detention Centre. There is a small tourism sector with potential for significant growth as mining activity winds down in the coming decades. A direct air link between Christmas Island and South East Asia has operated from time to time and provides opportunities for economic growth during these times.

The Territory's economy is subject to the boom/bust economic cycles brought on by changing levels of economic activity. Strengthening of the economy of Christmas Island through a consolidated response to people smuggling, underpinned by advancing Australia's economic profile in the Indian Ocean region, has meant that this economy is now more stable, and opportunities for diversification and emerging business opportunities in Australia's Indian Ocean Territories are increasing.

Cocos (Keeling) Islands

The Cocos (Keeling) Islands economy consist predominately of government service provision and a small tourism industry.

Mainland regional issues such as service delivery, under-employment and unemployment are compounded in the Cocos (Keeling) Islands. The economy, however, is strengthening, with tourism providing secondary economic contributions to government administration. The political stability, unique environment and location aid in maintaining the Cocos (Keeling) Islands as a prime and exclusive tourism location.