
The Parliament of the Commonwealth of Australia

Inquiry into the changing economic environment in the Indian Ocean Territories

Joint Standing Committee on the National Capital and External Territories

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Chair's foreword

Australia's Indian Ocean Territories (IOTs) of Christmas Island and the Cocos (Keeling) Islands share the economic and social challenges posed by isolation and remoteness. The economies are defined by their limited industry and heavy reliance on the public sector for service delivery.

The main industry supporting the Christmas Island economy is currently phosphate mining, but the committee observes the growing consensus that the tourism sector has been identified as the critical sector with the greatest growth potential for going forward. The committee has also considered the economic impact of the Christmas Island Immigration Reception and Processing Centre. The economy of the Cocos (Keeling) Islands relies solely on a services industry predominantly consisting of the Government and tourism sectors.

Compounding these economic challenges, residents and business have limited access to: affordable, reliable and modern information communication technology such as internet services, digital television, radio services and telecommunications; and frequent and reliable transport and freight.

On Christmas Island, tourism is expected to fill the gap that will be created by the winding-down and eventual ceasing of phosphate mining, while providing an alternative economic driver, spurring complementary industries and moving the economy towards greater sustainability. On the Cocos (Keeling) Islands, growth in tourism would have a similar economic effect and provide a much needed boost to local employment opportunities. However, critical to growing tourism is the need to upgrade and invest in additional tourism infrastructure such as accommodation, hire cars, roads and the like.

Through this inquiry, the committee sought to examine the issues associated with economic development in the context of the service delivery of communications, transport, housing, the operation of business and preparations to deal with the impact of climate change. During the inquiry, several solutions were canvassed in each area examined.

The committee focused on how communications, internet services and mobile telephony were delivered. To improve internet delivery and access, options

identified were either upgrading the satellite link to the IOTs, or accessing cable if and when it is laid. Improving mobile telephony was found to be more complex as the service available on Christmas Island is limited and the service available on the Cocos (Keeling) Islands is prone to failure. New infrastructure will be needed to implement an efficient, reliable and affordable mobile telephony service.

The high cost and unreliability of freight and passenger services have remained major areas of concern for the IOTs. As outlined in previous reports, the committee found that options to improve the service delivery of these, in the short term, rests with the Government through subsidies and infrastructure investment.

Another major issue highlighted was the limited land made available for commercial development and investment. The committee received evidence that several developers may have lost interest in investing in the IOTs because of excessive bureaucratic processes involved in receiving development approval. The committee found that investment in the IOTs is critical to growing the economies and has recommended the development of a land release and development strategy to stimulate the local construction industries.

The social impacts accompanying the economic challenges facing the IOTs relate to a diminishing IOTs population, limited contact with the mainland and the wider Australian society. The IOTs shires are focusing on addressing the decreasing population by mainly targeting the youth segment that is leaving the IOTs in search of greater educational and employment opportunities. The committee believes that by improving economic diversity that the economies of the IOTs would be better able to sustain their communities into the future.

As issues associated with governance were the major focus of the previous committee's 2006 report entitled, *Current and future governance arrangements for the Indian Ocean Territories*, the committee has through this inquiry sought to include only where relevant, governance issues which impact on economic development or have implications for stimulating investment.

On behalf of the committee I would like to thank individuals and organisations who contributed to the inquiry. I would also like to acknowledge and thank those who generously assisted the committee during its visit to Christmas Island and the Cocos (Keeling) Islands for this inquiry.

Senator Kate Lundy
Chair

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Membership of the committee

Chair Senator Kate Lundy

Deputy Chair Mr Patrick Secker MP (until 9/03/10)

Mr Michael Johnson MP
(from 17/03/10)

Members Hon Dick Adams MP

Ms Anna Burke MP

Ms Annette Ellis MP

Mr Michael Johnson MP
(from 9/03/10)

Mr Paul Neville MP

Mr Jim Turnour MP

Senator Judith Adams (from 11/03/10)

Senator Trish Crossin

Senator the Hon Alan Ferguson

Senator Gary Humphries (until
7/09/09, then from 27/10/09)

Senator Barnaby Joyce (until 11/03/10)

Senator the Hon Nigel Scullion (from
7/09/09 until 27/10/09)

Committee secretariat

Secretary Mr Stephen Boyd

Inquiry Secretary Ms Stephanie Mikac

Research Officer Dr Cathryn Ollif

Administrative Officers Ms Natasha Petrovic

Mrs Renee Burton

Ms Carly Scholes



Terms of reference

To inquire into and report on the changing economic environment in the Indian Ocean Territories giving consideration to current arrangements, barriers to business development and future need with regard to:

- a. communication services such as broadband internet, digital television and mobile telephony;
- b. transport services and costs including passenger and freight transport;
- c. Commonwealth Government services and programs;
- d. the operation of businesses in the region;
- e. cost and availability of housing; and
- f. the impact of climate change.



List of abbreviations

ABC	Australian Broadcasting Corporation
ABG	Australian Broadband Guarantee
ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
Advisory Groups	Economic Development Advisory Groups
AGD	Attorney-General's Department
AIOTA	Australian Indian Ocean Territories Airlines
BSA	<i>Broadcasting Services Act 1992</i>
CGC	Commonwealth Grants Commission
CI Act	<i>Christmas Island Act 1958</i>
CICC	Christmas Island Chamber of Commerce
CICS	Cocos Islands Co-operative Society Limited
CiiA	Christmas Island Internet Administration Limited
CIP	Christmas Island Phosphates
CIPRC	Christmas Island Immigration Reception and Processing Centre
CITA	Christmas Island Tourism Association
CKI Act	<i>Cocos (Keeling) Act 1955</i>
CLMP	Crown Land Management Plan

Cwlth	Commonwealth
DBCDE	Department of Broadband Communications and the Digital Economy
DIAC	Department of Immigration and Citizenship
DITRL	Department of Infrastructure, Transport, Regional Development and Local Government
EDCG	Economic Development Consultative Groups
EDFP	Economic Development Funding Program
EDO	Economic Development Officer
FAG	Financial Assistance Grants
GSM	Global system for mobile communications
GST	Goods and Services Tax
GB	Gigabytes
GBps	Gigabytes per second
ICT	Information Communication Technology
IOTs	Indian Ocean Territories
IOGTA	Indian Ocean Group Training Association
IOTsHS	Indian Ocean Territories Health Services
ISP	Internet Service Provider
kbps	kilobits per second
km	kilometres
LAP	Licence Area Plan
Mbps	Megabits per second
MHz	Megahertz
NBN	National Broadband Network

NGO	Non Government Organisation
NJS	National Jet Systems
PNG	Papua New Guinea
RABS	Remote Area Broadcast Service
SBDC	Western Australian Small Business Development Corporation
SDAs	Service Delivery Arrangements
SMS	Short Message Service
Transcript T1	Transcript of evidence 1, 19 August 2009
Transcript T2	Transcript of evidence 2, 9 September 2009
Transcript T3	Transcript of evidence 3, 16 September 2009
Transcript T4	Transcript of evidence 4, 28 September 2009
Transcript T5	Transcript of evidence 5, 29 September 2009
Transcript T6	Transcript of evidence 6, 28 October 2009
Transcript T7	Transcript of evidence 7, 29 October 2009
WA	Western Australia



List of recommendations

3 The economic environment of the Indian Ocean Territories

Recommendation 1 (paragraph 3.50)

The committee recommends that the Shire of Christmas Island in partnership with the Christmas Island community and relevant stakeholders examine ways to diversify the local economy, with a focus on developing tourism as part of its economic strategy in response to the possible permanent closure of the Christmas Island phosphate mine.

In addition, the Attorney-General's Department should provide adequate funding for secretariat support to the Shire for this purpose.

Recommendation 2 (paragraph 3.83)

The committee recommends the Government provide funding for economic modelling to be undertaken on the impact on the Christmas Island economy of activities associated with the operation of the Christmas Island Immigration Reception and Processing Centre and make this information available in a public report.

Recommendation 3 (paragraph 3.114)

The committee recommends the Shire of Christmas Island and the Attorney-General's Department coordinate a program of price monitoring for the Indian Ocean Territories.

Recommendation 4 (paragraph 3.115)

The committee recommends the Minister for Home Affairs take measures to ensure Corporations Law is applied to the Indian Ocean Territories as soon as possible.

Recommendation 5 (paragraph 3.116)

The committee recommends that Government agencies sourcing goods and services from businesses of the Indian Ocean Territories ensure payment of accounts within 30 days of the receipt of invoice.

Recommendation 6 (paragraph 3.117)

The committee recommends that arrangements be progressed as far as possible between the Attorney-General's Department and the Government of Western Australia to place a health and safety inspectorate on Christmas Island.

Recommendation 7 (paragraph 3.118)

The committee recommends that the building codes currently applied to the Indian Ocean Territories be reviewed with the aim of making them more suitable to the physical environment and climate.

Recommendation 8 (paragraph 3.172)

The committee recommends the Government provide funding to the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands for the establishment of local economic development officers.

Recommendation 9 (paragraph 3.173)

The committee recommends that:

- the Minister for Home Affairs provide discretionary grant approval authority to the Indian Ocean Territories Economic Development Consultative Groups for approval of individual grants under the economic development funding program; and
- the former Indian Ocean Territories incorporated advisory bodies be dissolved.

Recommendation 10 (paragraph 3.174)

The committee recommends that the application process required under the economic development funding program be reviewed with the aim of streamlining the application process.

Recommendation 11 (paragraph 3.175)

The committee recommends the amount of funds available under the economic development funding program be increased to \$150 000 per annum for each of the Indian Ocean Territories.

Recommendation 12 (paragraph 3.176)

The committee recommends that on finalisation of the feasibility study into the upgrade of the road that runs to the North West Point Detention Centre on Christmas Island (notwithstanding any recommendations and findings contained in the report) that, funds be made available without delay for the upgrade of the road to commence as soon as possible.

Recommendation 13 (paragraph 3.202)

The committee recommends the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands put into place a practical, administrative complaints handling process.

In addition, the Attorney-General's Department should provide ongoing adequate funding for secretariat support for this purpose.

4 Emerging industries

Recommendation 14 (paragraph 4.89)

The committee recommends the Government examine the feasibility (including cost and security considerations) of implementing a tourist or short stay visa waiver scheme to encourage international tourists to visit the Indian Ocean Territories.

Recommendation 15 (paragraph 4.90)

The committee recommends the Steering Committee responsible for implementation of the Christmas Island tourism plan in consultation with the Attorney-General's Department, develop a service delivery arrangement with Tourism Australia to review, revise and implement the Christmas Island Destination Development Report.

Recommendation 16 (paragraph 4.117)

The committee recommends the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands in consultation with the Attorney-General's Department, explore the viability of establishing sources of renewable energy to supplement the power needs of the Indian Ocean Territories, taking into consideration infrastructure requirements and costs.

Recommendation 17 (paragraph 4.168)

The committee recommends the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands in consultation with the Attorney-General's Department, draft and implement a land release and development plan to attract investment and stimulate the construction industries of the Indian Ocean Territories.

In addition, the Attorney-General's Department should provide ongoing adequate funding for secretariat support for this purpose.

Recommendation 18 (paragraph 4.169)

The committee recommends that the Commonwealth transfer ownership of the accommodation and facilities located at the former Quarantine Station site on West Island to the Shire of Cocos (Keeling) Islands to ease pressure on housing supply.

Recommendation 19 (paragraph 4.185)

The committee recommends that the potential effects of climate change be acknowledged as they will affect future economic development, especially on the Cocos (Keeling) Islands and that the Economic Development Consultative Groups and other stakeholders are fully briefed on these, and an appropriate risk evaluation built into any proposals relating to economic development.

5 Information communication technology

Recommendation 20 (paragraph 5.48)

The committee recommends the Department of Broadband, Communications and the Digital Economy in consultation with the Attorney-General's Department review the operation of the Australian Broadband Guarantee as it applies to the Indian Ocean Territories.

Recommendation 21 (paragraph 5.49)

The committee recommends the Government subsidise improvements to the satellite link for the Indian Ocean Territories to enable improved communication links with the mainland and to assist with business and service delivery.

Recommendation 22 (paragraph 5.68)

The committee recommends the Government provide assistance for the urgent upgrade of mobile telephony infrastructure and services on the Indian Ocean Territories in line with service standards available in metropolitan areas on the mainland.

Recommendation 23 (paragraph 5.82)

The committee recommends the Government explore the possibility of funding 'self help' transmitters in the Indian Ocean Territories to enable live sporting events to be received.

6 Transportation

Recommendation 24 (paragraph 6.47)

The committee recommends the Government provide a subsidy aimed at reducing the cost of sea freight and shipping services for the Indian Ocean Territories.

Recommendation 25 (paragraph 6.75)

The committee recommends the Government continue to underwrite domestic air services to the Indian Ocean Territories in response to demand for services.

Recommendation 26 (paragraph 6.96)

The committee recommends that cabotage restrictions should be removed for the Indian Ocean Territories (IOTs) and that prior to this the Government undertake an assessment of the infrastructure and administrative requirements for the IOTs, taking into consideration asset and funding needs, and time frames for upgrades and restructures particularly in regard to the runway and immigration facility upgrades.

