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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

March 2010  
Canberra

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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

Cwth	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.



## Introduction

- 1.1 The remote island communities of Christmas Island and the neighbouring Cocos (Keeling) Islands form Australia's Indian Ocean Territories (IOTs). Christmas Island is located 2650 km from Perth off the north-west coast of Western Australia, and approximately 320 km to the south of Java, Indonesia. The Cocos (Keeling) Islands are located 975 km south-west of Christmas Island and 2950 km north-west of Perth.
- 1.2 For over a century, the main industry underpinning Christmas Island's economy has been phosphate mining. In addition, the Government and tourism sectors also contribute greatly to the economy.<sup>1</sup> In contrast, the economy of the Cocos (Keeling) Islands relies solely on a services industry mainly consisting of the Government sector and a small tourism sector.<sup>2</sup>
- 1.3 Although independent of one another, the economies of both the islands are faced with similar challenges that are unique to small, isolated populations, which are, those of limited industry and a reliance on the public sector for essential service delivery.

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1 Christmas Island Phosphates, *Submission 6*, p. 1.

2 Attorney-General's Department, *Submission 15*, p. 8.

- 1.4 In 2007, the Commonwealth Grants Commission (CGC) undertook an inquiry into the level of funding required to provide the IOTs with 'state-type services which are consistent with those in comparable communities in Western Australia. In addition, the CGC reported on the 'capacity of the Australian Government to raise state-type taxes and charges [in the IOTs] and whether the methods for deriving local government funding [could] produce outcomes comparable to those for comparable local governments in Western Australia.'<sup>3</sup>
- 1.5 Infrastructure requirements for delivering comparable services were considered in the context of factoring in the depreciation expenses of assets. Future events 'that [could] affect the demography, economic activity or services in the Territory' were not included in the inquiry, although advice was given 'on a way of updating the assessed level of funding for future years.'<sup>4</sup>
- 1.6 Taking into consideration the evidence it has received through this inquiry, the committee has examined the current economic environment in the IOTs. This inquiry also highlights ways in which the economic potential of the IOTs could be harnessed into the longer term and builds on the work of the previous committee in its 2006 report titled *Current and future governance arrangements for the Indian Ocean Territories*.

## **Background to the inquiry**

- 1.7 On 11 February 2009, the Hon Bob Debus MP, then Minister for Home Affairs requested the committee to inquire into and report on the changing economic environment in the IOTs.
- 1.8 The committee subsequently advertised the inquiry, received submissions and held public hearings in Canberra, on Christmas Island and the Cocos (Keeling) Islands.
- 1.9 During its visit to the IOTs, the committee also made time to inspect the islands' infrastructure including the Christmas Island Phosphate mine operations and the construction of the Rumah Baru port facilities on Cocos (Keeling) Islands.

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3 Commonwealth Grants Commission 2007, *Report on the Indian Ocean Territories*, CGC, Canberra, p. viii.

4 Commonwealth Grants Commission, 2007, *Report on the Indian Ocean Territories*, CGC, Canberra, p. viii.

## Committee objectives, scope and key principles

- 1.10 The terms of reference, as listed, enabled the committee 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.
- 1.11 Taking into account the terms of reference, the inquiry broadly focused on examining measures for improving economic development for the IOTs by taking into consideration the evolving communication, transport, housing and service delivery needs of residents and business.
- 1.12 While the committee also received information about the possible short term impact that the operation of the Christmas Island Immigration, Reception and Processing Centre is having on the Christmas Island economy, this inquiry has focused on the broader economic impact of Government service delivery on the IOTs.
- 1.13 In focusing on Government service delivery for the IOTs, the committee examined the interconnections between the IOTs economies and the Government service delivery network taking into account: the ability of residents to access Government services, the need and availability of these services, and areas where improvement could be beneficial.
- 1.14 To enable full social and economic participation for Australians residing in the IOTs, the Commonwealth has a responsibility to ensure:**
- **The disadvantage of geographic isolation is minimised through public policy.**
  - **The community is able to determine and pursue (economically and environmentally) sustainable development.**

- **The unique natural environment and its biodiversity is protected and restored.**
- **There is mitigation of the negative impact of the Commonwealth's use of the islands for purposes other than those traditionally established or determined by the local community.**

1.15 The committee's recommendations have sought to provide options for economic change through existing governance structures, taking into consideration how economic stakeholders may be affected and the level of service delivery required to create sustainable economies in the IOTs.

## Conduct of the inquiry

1.16 On 12 February 2009, the committee issued a media release announcing the inquiry and called for submissions to be received by 27 March 2009. Submissions were also sought by advertising the inquiry nationally in *The Australian* on 18 February 2009, *The Atoll*<sup>5</sup> on 26 February 2009 and *The Islander*<sup>6</sup> on 6 March 2009.

1.17 In addition, throughout the inquiry, the committee wrote to a number of individuals and organisations inviting submissions or seeking information relevant to the terms of reference.

1.18 The committee received 45 submissions and 12 exhibits to the inquiry, which are listed at appendices A and B respectively.

1.19 The committee held 7 public hearings, the details of which follow:

Date	Venue and place
19 August 2009	Parliament House, Canberra
9 September 2009	Parliament House, Canberra
16 September 2009	Parliament House, Canberra
28 September 2009	Christmas Island
29 September 2009	Cocos (Keeling) Islands
28 October 2009	Parliament House, Canberra
29 October 2009	Parliament House, Canberra

5 *The Atoll* is the newspaper of the Cocos (Keeling) Islands.

6 *The Islander* is Christmas Island's newspaper.



- 1.20 Witnesses who provided evidence to the committee at these public hearings are listed at Appendix C. Transcripts of evidence of these public hearings are available on the committee's website at <http://www.aph.gov.au/ncet>
- 1.21 In addition, the committee conducted infrastructure inspections on both Christmas Island and the Cocos (Keeling) Islands.

## Role of the committee

- 1.22 The committee was first established by the Parliament in 1956 for the purpose of inquiring into matters relating to the National Capital and was named the Joint Committee on the Australian Capital Territory.
- 1.23 In 1993, the committee's coverage was expanded to include Australia's external territories: the Australian Antarctic Territory, Heard Island and McDonald Islands, Christmas Island, Cocos (Keeling) Islands, the Coral Sea Islands, Ashmore and Cartier Islands and Norfolk Island. The committee's name was then changed to reflect the addition of external territories.
- 1.24 The current committee was established by resolution of both Houses of Parliament on 13 February 2008. The committee's resolution of appointment provides that the committee is empowered to inquire into and report on the following matters referred to it: works within the Parliamentary Zone, amendments to the National Capital Plan (the principle planning document pertaining to Canberra's role as the National Capital) and any matters relating to Australia's external territories.
- 1.25 Through the inquiry process the committee's main role is to highlight topical issues, (relevant to the terms of reference of the inquiry it is conducting) by reporting on its findings and making recommendations on these issues to the Parliament.
- 1.26 Since 1993, the committee has produced 11 reports relating to Australia's external territories. Five of these reports are specific to the Indian Ocean Territories. These are:
- *Delivering the Goods*, February 1995
  - *Island to Islands: Communications with Australia's External Territories*, March 1999

- *Risky Business: Inquiry into the tender process followed in the sale of the Christmas Island Casino and Resort, September 2001*
  - *Indian Ocean Territories: Review of the Annual Reports of the Department of Transport and Regional Services and the Department of the Environment and Heritage, August 2004*
  - *Current and future governance arrangements in the Indian Ocean Territories, May 2006*
- 1.27 Excluding this inquiry, the report of the most recent inquiry relating to the IOTs was released in May 2006. This report examined the current and future governance arrangements for the IOTs.

## Findings of the 2006 inquiry

- 1.28 In its 2006 report titled *Current and future governance arrangements for the Indian Ocean Territories*, the committee of the 41<sup>st</sup> Parliament examined a number of elements affecting governance structures including:
- 'accountability and transparency of decision-making in relation to the IOTs;
  - the link between more effective governance and improved economic sustainability for the IOTs;
  - the operation of Western Australian applied laws; and
  - community service delivery including the effectiveness of service delivery agreements with the Western Australian Government.'<sup>7</sup>
- 1.29 In regard to the evidence it received on the economic development and sustainability of the IOTs the previous committee was of the view that:

This summary of economic potential and departmental activity provides a limited and flawed perspective. There is no sense of dynamism or direction. Even the strategic plan for the economic development of the Territories prepared by the Administrator has the feel of 'top-down' planning. Addressing development on Christmas Island, there is no response to the impending demise of the phosphate mine and undue emphasis is placed on the

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7 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and Future Governance arrangements in the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, pp 3-4.

economic potential of the Immigration Reception and Processing Centre, an institution whose use is wholly dependent on the shifting requirements of government policy, and the Asia Pacific Space Centre, a project which now appears defunct. Much emphasis is also placed on the policy of normalisation. Carried out for its own sake normalisation must inevitably produce a mixture of outcomes, good and bad, and has no intrinsic merit. As part of the process of incorporating the IOTs into Western Australia, normalisation has some value, but the process of incorporation has stalled and there is no proximate danger of a successful outcome. Normalisation, as a stand alone strategy, is not viable, as it fails to take account of the particular circumstances of the IOTs.<sup>8</sup>

- 1.30 In addition, the 2006 report included a number of recommendations specific to improving economic sustainability in the IOTs in relation to the granting of the Christmas Island casino licence; ensuring the value of Commonwealth land; measures to reduce air and sea freight costs; boosting passenger air travel; and law reform, including extending Corporations Law to the IOTs.
- 1.31 In regard to governance arrangements, the previous committee's recommendations focused on providing local IOTs decisions makers with more autonomy and vesting leadership on economic development within the IOTs communities.
- 1.32 With a view to improving governance arrangements within the IOTs, the previous committee made the following recommendations:

**Recommendation 10**

The committee recommends that the Australian Government cease its policy of market-testing and outsourcing to third parties, services which it currently provides to the Indian Ocean Territories, with a view to promoting the development of community capacity within a framework of enhanced local/regional government.

**Recommendation 12**

The committee recommends that the Australian Government alter the governance arrangements of the Indian Ocean Territories to provide the Shire of Christmas Island and the Shire of the Cocos

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8 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and Future Governance arrangements in the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 34.

(Keeling) Islands with an expanded role. The shires should have: direct representation of the communities with the Minister for Territories; and a formal advisory capacity with regard to applied laws and services delivery arrangements. Moreover, the shires should be: fully funded on the basis of an agreed service delivery framework; given adequate title to all assets required to carry out their functions; and able to jointly enter into a regional local government type cooperation agreement.

**Recommendation 13**

The committee recommends that the Australian Government undertake to develop options for future governance for the Indian Ocean Territories in conjunction with the communities on Christmas Island and the Cocos (Keeling) Islands, with a view to, where practical, submitting options to a referendum of those communities by the end of June 2009. Possible options could include but should not be limited to: maintaining current governance arrangements with some refinement; incorporation into the State of Western Australia; and a form of limited self government.

- 1.33 The previous Government did not fully support these recommendations and the reasons for this can be found in the Government's response of June 2007, to the report on current and future governance arrangements in the Indian Ocean Territories.<sup>9</sup>
- 1.34 While the focus of the current inquiry has not been to examine governance arrangements, it has aimed to expand its scope of the economic and social challenges facing the IOTs. This includes examination of the effectiveness of service delivery arrangements especially in the areas of communication, transport and housing and related issues of accountability and transparency of decision making, and the committee would encourage a re-examination of the recommendations of the previous committee's report into the Current and future governance arrangements for the Indian Ocean Territories by this Government.

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<sup>9</sup> Minister for Local Government, Territories and Roads, June 2007, *Australian Government Response to the Report on Current and future governance arrangements in the Indian Ocean Territories by the Joint Standing Committee on the National Capital and External Territories*.

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## Reader guide and structure of the report

- 1.35 This report outlines the committee's findings and recommendations in relation to the changing economic environment in the IOTs. Recommendations have been listed at the front of the report.
- 1.36 Chapter 1 provides an introduction to the committee's inquiry and outlines the objectives, conduct and scope of the inquiry. The findings and recommendations of the 2006 inquiry are also outlined.
- 1.37 Chapter 2 provides a brief history and background to the legal frameworks and governance arrangements that apply to the IOTs.
- 1.38 Chapter 3 outlines the economic challenges facing business and future business development. Mechanisms for handling administrative complaints are also discussed.
- 1.39 Chapter 4 outlines possible emerging industries identified in the evidence which includes: tourism, education and research partnerships, and housing.
- 1.40 Chapter 5 provides discussion about the information communication technology needs of the IOTs with a focus on the service delivery improvement of internet, mobile and non mobile telephony, digital television and radio.
- 1.41 Chapter 6 outlines the transport challenges that continue to face the IOTs including discussion on the cost of shipping and air freight, passenger air travel and cabotage restrictions.



## **Legislative and governance structures in Australia's Indian Ocean Territories**

### **A brief history**

#### **Christmas Island**

- 2.1 Australia's Indian Ocean Territories (IOTs) consist of Christmas Island and the Cocos (Keeling) Islands.
- 2.2 Christmas Island, named on the day it was formally discovered by Captain William Mynors in 1643<sup>1</sup> has a relatively small land area of around 135 km<sup>2</sup> with a geomorphology of volcanic rock and coral.
- 2.3 Christmas Island's physical isolation has assisted in the creation of its own unique flora and fauna with an abundance of land crabs and sea birds. In recognition and protection of its natural wealth, approximately 63 percent of Christmas Island has been declared National Park.<sup>2</sup>
- 2.4 Christmas Island's current estimated population of 1348<sup>3</sup> has a diverse cultural heritage comprised of approximately: 60 percent Chinese, 25 percent Malay, and 15 percent European.<sup>4</sup>

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1 Christmas Island was formally discovered by Captain William Mynors of the British East India Company on 25 December 1643. Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and Future Governance arrangements in the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 8.

2 Joint Standing Committee on the National Capital and External Territories, February 1995, *Delivering the Goods*, Parliament of the Commonwealth of Australia, Canberra, p. 17.

3 This figure is taken from the 2006 Census data, Attorney-General's Department, *Submission 15*, p. 3.

- 2.5 For over a century Christmas Island's economy has been reliant on phosphate mining.<sup>5</sup> Annexed and settled by the British in 1888, following the discovery of phosphate deposits, a British mining operation commenced on Christmas Island in 1897. Mine workers were settled on Christmas Island from what is now Malaysia.<sup>6</sup>
- 2.6 In 1900, Christmas Island was incorporated into the British Crown Colony of the Straits Settlements with Singapore as its capital. During the Second World War from March 1942 until 1945, Christmas Island was occupied by the Japanese armed forces.
- 2.7 In 1948, the phosphate mining operation was purchased by the Australian and New Zealand Governments.<sup>7</sup>
- 2.8 On request in 1958, sovereignty of Christmas Island was transferred from the United Kingdom of Great Britain to the Commonwealth of Australia.<sup>8</sup> The 'laws of the Colony of Singapore' which were in force prior to transfer, were continued.<sup>9</sup>
- 2.9 In 1987, the mine closed and was reopened in 1990 by a private company – Phosphate Resources Limited, trading as Christmas Island Phosphates.<sup>10</sup>
- 2.10 In order to enable mining to continue over the next decade, Christmas Island Phosphates has recently applied for new mining leases which are currently under consideration by the Minister for the Environment.<sup>11</sup>

## **Cocos (Keeling) Islands**

- 2.11 The Cocos (Keeling) Islands consist of 27 coral islands with a combined land area of 14km<sup>2</sup>. The two largest of these islands (atolls) - Home and West Islands are permanently inhabited. Wildlife common to the islands include: frigatebirds, boobies, mutton birds and land crabs. Shallow wells

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4 Attorney-General's Department, *Submission 15*, p. 3.

5 Christmas Island Phosphates, *Submission 6*, p. 1.

6 Joint Standing Committee on the National Capital and External Territories, February 1995, *Delivering the Goods*, Parliament of the Commonwealth of Australia, Canberra, p. 17.

7 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, pp 2-4.

8 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and Future Governance arrangements in the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 8.

9 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 4.

10 Joint Standing Committee on the National Capital and External Territories, February 1995, *Delivering the Goods*, Parliament of the Commonwealth of Australia, Canberra, p. 17.

11 Christmas Island Phosphates, *Submission 6*, p. 1.



- give access to natural reservoirs of fresh ground water sourced from rainfall.
- 2.12 The Cocos (Keeling) Islands have an estimated population of 572<sup>12</sup> with a cultural heritage composition of Cocos Malay and European.<sup>13</sup>
- 2.13 Approximately 80 percent of the population is Cocos Malay and lives on Home Island maintaining a traditional lifestyle in accordance with religious and cultural customs. The remaining 20 percent of the population reside on West Island and are mainly of European decent. Commonwealth facilities, including the administration areas, airport and animal quarantine station are located on West Island.
- 2.14 Although discovered in 1609, the Cocos (Keeling) Islands were uninhabited until the 1820s when a party led by Alexander Hare, consisting predominantly of people of Malay origin, settled on the islands. The Islands were subsequently settled by a party led by Captain John Clunies-Ross in 1827, which began harvesting the coconuts for which the Islands were named.
- 2.15 In 1857 the Cocos (Keeling) Islands were annexed to the Crown and in 1886 Queen Victoria granted all land on the islands to the Clunies-Ross family.<sup>14</sup>
- 2.16 Having previously been administered as a dependency of Britain's Singapore colony, the Cocos (Keeling) Islands became a Territory of Australia on 23 November 1955 with the enactment of the *Cocos (Keeling) Islands Act 1955*.
- 2.17 In 1978, the Government purchased for the amount of \$6.25 million, the remainder of the property on the islands owned by the Clunies-Ross Family, with the exception of the family's estate on Home Island - Oceania House.<sup>15</sup>
- 2.18 In 1984 through an Act of self determination, the Cocos population voted for integration with Australia. The vote was witnessed by the United Nations Visiting Mission appointed by the Secretary-General. At the time, the Government made a commitment that over the next decade it would raise the standard of living for the Cocos Malay community so that it

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12 This figure is taken from the 2006 Census data, Attorney-General's Department, *Submission 15*, p. 3.

13 Attorney-General's Department, *Submission 15*, p. 3.

14 Certain rights were reserved by the Crown.

15 In 1993 the Australian Government purchased the remaining property of Mr Clunies-Ross. Oceania House was privately sold by the Government in 2001.

reflected the living standards of mainland Australia. The 1993 Commonwealth Grants Commission report found that the level of service provided was now at or very close to mainland standards.<sup>16</sup>

- 2.19 Communities on Christmas Island and the Cocos (Keeling) Islands maintain family and business links with Malaysia.<sup>17</sup>

## Law reform and the legal framework applied in the Indian Ocean Territories

- 2.20 The Government acquired the IOTs by virtue of section 122 of the Australian Constitution. The IOTs were accepted by the Commonwealth through enactment of the *Christmas Island Act 1958* (Cwlth) (the CI Act) and the *Cocos (Keeling) Islands Act 1955* (Cwlth) (the CKI Act).<sup>18</sup>

- 2.21 Through its 1991 report on the legal regimes of Australia's external Territories, the Standing Committee on Legal and Constitutional Affairs made a number of recommendations including:

- Laws of Western Australia (WA) be applied to the IOTs, and
- an extended role for local government in the IOTs.<sup>19</sup>

- 2.22 In 1992, these recommendations were implemented through enactment of the *Territories Law Reform Act 1992* (The Law Reform Act). The Law Reform Act replaced existing colonial laws<sup>20</sup> with modern state laws (WA laws were applied in the IOTs). Commonwealth legislation was also applied to the IOTs. Prior to these changes, Commonwealth legislation did not apply to the IOTs 'unless specifically expressed to do so.'<sup>21</sup> These

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16 Attorney-General's Department, *Submission 15*, p. 3.

17 Attorney-General's Department, *Submission 15*, p. 3.

18 Attorney-General's Department, *Submission 15*, p. 5.

19 House of Representatives Standing Committee on Legal and Constitutional Affairs, March 1991, *Islands in the Sun*, Parliament of the Commonwealth of Australia, Canberra, pp xx to xxvii.

20 The colonial laws of Singapore together with certain regulations made by the Administrator of the IOTs during the period 1 January 1958 to 30 October 1958 were retained after the transfer of Christmas Island to Australia. Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 4.

21 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 4.

legislative changes meant that the IOTs were extended the 'same rights, responsibilities and obligations' as the mainland.<sup>22</sup>

- 2.23 WA laws were applied to the IOTs through the Law Reform Act by inserting section 8A into the CI and CKI Acts. Section 8A serves the purpose of applying 'the laws in force in [WA] from time to time' to the IOTs. 'Laws applied under section 8A are considered subordinate Commonwealth laws.'<sup>23</sup>
- 2.24 This legislative framework allows the Commonwealth to retain control over legal arrangements as the applied laws scheme provides that a list of any new laws enacted (at the state level, which may apply to the IOTs) are to be tabled in the Commonwealth Parliament every six months. These laws may be terminated by either House of the Commonwealth Parliament by passing a motion.<sup>24</sup>
- 2.25 The CI and CKI Acts provide that the Minister with responsibility for the Territories<sup>25</sup> may delegate or vest the powers and functions contained in the applied laws to the IOTs Administrator or Commonwealth and WA government officials. 'The most common delegation is from the Minister to WA government officials' through service delivery arrangements.<sup>26</sup>
- 2.26 Further, through an Ordinance, the Governor-General may amend, repeal or suspend WA laws applied in the IOTs. Under sections 9 and 12 of the CI and CKI Acts, the Governor-General is also able to create ordinances for the peace, order and good government of the IOTs.<sup>27</sup>
- 2.27 It has been the policy of successive governments to include coverage of Commonwealth legislation to the IOTs where relevant. However, while the *Trade Practices Act 1974* (Cwlth) applies to the IOTs in regard to trade or commerce,<sup>28</sup> the *Corporations Act 2001*<sup>29</sup> (Cwlth) does not apply to the IOTs which 'may have implications for future economic development.'

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22 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and Future Governance arrangements in the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 6.

23 Attorney-General's Department, *Submission 15*, p. 5.

24 Attorney-General's Department, *Submission 15*, p. 5.

25 The Minister for Home Affairs.

26 Attorney-General's Department, *Submission 15*, p. 5.

27 Attorney-General's Department, *Submission 15*, p. 5.

28 Australian Competition and Consumer Commission, *Submission 29*, p. 1.

29 The Corporations Act provides for the regulation of Australian companies including their operations and the fiduciary duties of directors.

The Attorney-General's Department (AGD) is currently exploring ways to extend Corporations Law to the IOTs.<sup>30</sup>

## Governance framework and service delivery

### Role of the Government

- 2.28 AGD, on behalf of the Minister for Home Affairs, through the CI and CKI Acts administers the IOTs. In addition, other Australian Government agencies hold responsibility for matters within their portfolios such as customs, quarantine and taxation.
- 2.29 The Administrator of the IOTs is the Government's senior representative and resides on Christmas Island.<sup>31</sup> The office of Administrator of the IOTs as 'head of Government on the island was established on 1 May 1968 through an ordinance which provided that appointment be made by the Governor-General.'<sup>32</sup>
- 2.30 Residents of the Cocos (Keeling) Islands have access to AGD through regular staff visits from the Canberra and Perth offices, in addition to telephone, email and facsimile.<sup>33</sup>
- 2.31 AGD delivers essential services to the IOTs in three ways: directly; through contracts with the private sector; or through service delivery arrangements in place with the WA Government.<sup>34</sup>
- 2.32 The services provided through AGD are those services which would usually be provided at the state level on mainland Australia. These services include: 'electricity, freight and passenger ports, ferry services, education, land and asset management, environmental and industry regulation, and health.' Additional services such as law enforcement and community policing are provided by the Australian Federal Police.<sup>35</sup>
- 2.33 Table 2.1 lists the state agencies providing services to the Government through service delivery arrangements (SDAs) for the IOTs. The listed SDAs have been in place since March 2007.

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30 Attorney-General's Department, *Submission 15*, p. 17.

31 Attorney-General's Department, viewed 20 November 2009, <[www.ag.gov.au](http://www.ag.gov.au)>.

32 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 4.

33 Attorney-General's Department, *Submission 15.3*, Answer to Question 10.

34 Attorney-General's Department, *Submission 15*, p. 3.

35 Attorney-General's Department, *Submission 15*, p. 3.

**Table 2.1 Service delivery arrangements in place between the Commonwealth Government and the Government of Western Australia for services provided to the IOTs<sup>36</sup>**

<b>Agency</b>	<b>Services provided</b>
BreastScreen WA	Screening and diagnostic mammography services
Department of the Attorney-General	Access to the justice system including: <ul style="list-style-type: none"> <li>• Court Services;</li> <li>• Registry Office;</li> <li>• State Solicitors Office; and</li> <li>• Public Advocate</li> </ul>
Department for Community Development	Professional supervision and support for the Indian Ocean Territories (IOTs). Social Worker to promote responsibility and growth in family and community life and contribute to the protection and care of children.  Information and support to licensed and proposed childcare providers, and administration of the applied legislation concerning working with children.
Department of Consumer and Employment Protection	Information to business and consumers, and the development and enforcement of consumer protection legislation.  Information to employers and employees, and the development and enforcement of occupational safety and health legislation, including resources safety and the storage, transport and handling of dangerous goods.  Energy safety regulatory services.
Department of Corrective Services	Offender management services.
Department of Culture and the Arts	Broad policy and planning services, arts development services (including art funding administration), art gallery services, museums services, and cultural planning services.
Disability Services Commission	Support and services to people with disabilities in the IOTs.
Department of Education and Training	Monitoring and assessment of the compliance of IOTs vocational and adult education and training providers with legislative requirements. Registration and monitoring of IOTs apprentices and trainees.
Office of Energy	Advice on energy policy and regulatory matters in the IOTs.
Department of the Environment and Conservation	Protection and enhancement of the IOTs environment and water resources through the implementation of applied environmental protection law, including protection of water resources, regulation of prescribed premises, emissions and wastes, and incident protection and response.
Equal Opportunity Commission	Information and advice on equal opportunity and human rights issues and the investigation of complaints under the applied equal opportunity legislation.
Economic Regulation Authority	Promote economically efficient outcomes in the IOTs at the lowest practicable regulatory cost through efficient and effective independent regulation, independent advice to the Commonwealth and advancing the debate on economic regulation.

36 Attorney-General's Department, viewed 20 November 2009, < [www.ag.gov.au](http://www.ag.gov.au)>.

<b>Agency</b>	<b>Services provided</b>
Fire and Emergency Services Authority	Support to volunteer brigades including planning, training, and equipment.  Community education on safety issues, and compliance with building safety requirements.
Department of Fisheries	Procedural and technical advice in relation to aquaculture proposals and management of fish resources.
Department of Health	Regulatory, advisory and other support services as required in the delivery of whole-of-health services.
Office of Health Review	Handling of complaints about the provision of health services in the IOTs.
Department of Housing and Works	Advice and support to the Administration Housing Unit for the effective administration of social housing in the IOTs.
Department of Industry and Resources	Registration of IOTs mineral titles and advice on associated environmental matters.
Department of Land Information	Land information services, including registration of title, and geographic and cadastral information.  Impartial valuation services supporting asset management and revenue collection.
Legal Aid Commission	Quality legal services to those in need, and assistance to the community in accessing justice.
Department of Local Government and Regional Development	Ensuring compliance with applied local government legislation, and facilitating the development of local government for the elected body, and the communities.
Main Roads WA	Provision of road funding and traffic management in cooperation with local government.
Medical Board of WA	Monitors the conduct of doctors and the standards of medical treatment provided in the IOTs according to applied legislation.
Nurses Board of WA	Regulates the practice of nurses in accordance with applied legislation to ensure appropriate and safe standards of nursing care are promoted and maintained in the IOTs.
Parliamentary Commissioner for Administrative Investigations (State Ombudsman)	Provides a system for handling complaints about the administrative actions of State government agencies in the IOTs which are within the Commissioners jurisdiction.
Department for Planning and Infrastructure	Planning, legal and administrative advice to ensure the use and development of land in the IOTs is consistent with strategic planning, policy guidelines and planning standards.  Provision of advice and assistance to the Commonwealth on a broad range of transport issues.  Administration of Crown land in the IOTs.
Public Trustee Office	Trustee services, including the preparation of wills and provision of executor and administrator services for IOTs residents.
Department of Racing, Gaming and Liquor	Liquor licensing services, including compliance audits and investigations.
Small Business Development Corporation	Provision of specialised information, referral and business facilitation services, and representation of small business interests in WA policy development.

<b>Agency</b>	<b>Services provided</b>
Department of Sport and Recreation	Provides advice on the sporting and recreational infrastructure needs in the IOTs, and support and advice to sporting and recreational groups in the IOTs.
State Library of WA	Provides IOTs local authorities and associated bodies with leadership, library materials, information and support services.
Department of Treasury and Finance	Collects and remits State-type revenue to the Commonwealth in accordance with applied legislation.  Provides purchasing, contracting and consulting solutions to the Commonwealth as required.
Workcover	Administers the applied workers compensation legislation for the benefit of injured workers.

2.34 The WA Department of Education and Training also operates the Christmas Island District High School and Cocos (Keeling) Islands District High School. School based education is provided for Kindergarten to Year 10 on the Cocos (Keeling) Islands and up to Year 12 on Christmas Island. Students follow the WA schools curriculum.<sup>37</sup>

## Role of the shire councils

2.35 A second tier of government applicable to the IOTs, established in 1992, is provided at the local level through 'Shires', similar to the shire councils which operate on the mainland. The shires operate under the provisions of the applied *Local Government Act 1995 (WA)* and are governed by councils.<sup>38</sup> The first shire councils for the IOTs were elected in 1993.

2.36 The Shire of Christmas Island Council is comprised of nine councillors who hold four year terms. The council is responsible for electing its own President and Deputy President and with the exception of January, meets monthly. Councillors also participate on council formed committees.<sup>39</sup>

2.37 The Shire of Cocos (Keeling) Islands Council is comprised of seven councillors holding four year terms and meets monthly. Elections are held every two years with three or four Councillors retiring at each election. The President is directly elected by the Council and holds office for two years.<sup>40</sup>

37 Attorney-General's Department, viewed 20 November 2009, <[www.ag.gov.au](http://www.ag.gov.au)>.

38 Attorney-General's Department, *Submission 15*, p. 5.

39 Shire of Christmas Island, viewed 20 November 2009, <[www.shire.gov.cx](http://www.shire.gov.cx)>.

40 Shire of Cocos (Keeling) Islands, viewed 20 November 2009, <[www.shire.cc](http://www.shire.cc)>.

- 2.38 Services provided at the local level are similar to those that are provided by local governments on mainland Australia. In addition, the councils act as agents for the Commonwealth Government in the provision of some services. (Eg. operation of the motor vehicle registry).
- 2.39 Shire Councils are able to raise a limited amount of revenue through rate collection. As the IOTs shire councils are not eligible for funding under the Financial Assistance Grants (FAG), they receive funding from the Government 'through the Territories Administered budget, calculated by the WA Local Government Grants Commission.' This funding is FAG-equivalent and is calculated in the same way as FAG. This funding 'constitutes the bulk of shire funding and is untied.' Broadly, the range of grants available to the shires is comparable with that available in WA.<sup>41</sup>

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41 Attorney-General's Department, *Submission 15*, p. 6.



## The economic environment of the Indian Ocean Territories

### Introduction

- 3.1 The economies of the Indian Ocean Territories (IOTs) have developed for different reasons, are economically challenged by their size and isolation and rely on a high level of Government services.
- 3.2 The IOTs physical distance from the mainland and small population, results in the high cost of freight and passenger transport. This in turn serves to inflate the price of all goods and services, acting as a disincentive for business operation and development. Identifying ways to diversify the IOTs economies and lessen reliance on the Government sector would assist the IOTs to move towards achieving economic sustainability.
- 3.3 Phosphate mining is Christmas Island's main source of income. With phosphate mining operations expected to wind down, another sustainable economic driver will need to be identified, established and grown. In contrast, the Cocos (Keeling) Islands economy relies in large part on the Government services sector and a small tourism sector. Developing its tourism sector is one of the Cocos (Keeling) Islands major economic challenges.

## A snapshot of the IOTs economies

### Christmas Island

- 3.4 Recent Census data places the gross product of Christmas Island at \$71 million per annum.<sup>1</sup> Phosphate mining is the main industry driving the economy and accounts for approximately 34 percent of gross product.<sup>2</sup>
- 3.5 Phosphate mining directly and indirectly generates approximately 280 full time equivalent jobs which represents 40 percent of the total Christmas Island labour force. On its own phosphate mining contributes approximately \$27 million to the Christmas Island economy annually.<sup>3</sup> Small business provides employment for approximately 40 percent of the labour force.
- 3.6 The Government and tourism sectors account for 28 percent of Christmas Island's gross product and are 'another significant source of employment.'<sup>4</sup> Government services include: administration, health, education, environmental management,<sup>5</sup> 'welfare, law and order, cultural and recreation services and utilities.'<sup>6</sup> These services are provided by Commonwealth and Western Australian (WA) Government agencies and the Shire.<sup>7</sup>
- 3.7 The tourism sector has remained in its infancy and is focused on Christmas Island's natural environment, offering activities such as diving and fishing. The tourism industry peaked during 1994 to 1998 when the Christmas Island Casino and Resort was operating. With the closure of the casino in 1997 and later the resort in 1998, between 200 and 250 employees left Christmas Island.<sup>8</sup>
- 3.8 Income levels on Christmas Island are 'relatively high, with 28 percent of the population earning in excess of \$1000 per week' in comparison to WA
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1 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xiii.

2 Attorney-General's Department, *Submission 15*, p. 7.

3 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xiii.

4 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

5 Attorney-General's Department, *Submission 15*, p. 7.

6 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

7 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

8 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

which sits at 20 percent for this income level. There is a low level of unemployment on Christmas Island with most employment opportunities arising from phosphate mining and construction.<sup>9</sup>

- 3.9 Due to its small size and heavy reliance on phosphate mining any impact on this industry directly flows through to the wider economy. Similarly, large scale local construction projects have had the same effect. Such projects have 'tended to maintain the Christmas Island economy, but through a boom-bust cycle.'<sup>10</sup>

## Cocos (Keeling) Islands

- 3.10 The gross product of the Cocos (Keeling) Islands relies on a services industry consisting of Government and tourism services and is estimated to provide returns of \$15 million per annum.<sup>11</sup>
- 3.11 The unemployment rate on the Cocos (Keeling) Islands is around 8 percent with the unemployment rate on Home Island being much higher than that on West Island.<sup>12</sup>
- 3.12 The main sources of employment on the Cocos (Keeling) Islands are provided by the Government, the Shire Council, the Cocos Islands Co-Operative Society (CICS) and a range of small businesses.<sup>13</sup> CICS manages the supermarkets on Home and West Islands and some tourism services such as a motel, restaurant and duty-free shop.<sup>14</sup> On behalf of the Government, CICS also manages the public transport service. The small business sector includes a large construction and maintenance company and a number of businesses supporting the tourism industry.<sup>15</sup> In contrast to the greater level of unemployment on Home Island, there is often a shortage of skilled workers or tradespeople available to fill vacancies on West Island.<sup>16</sup>
- 3.13 The Cocos (Keeling) Islands tourism sector is very small and is subject to some capacity constraints. The Commonwealth Grants Commission noted

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9 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xv.

10 Attorney-General's Department, *Submission 15*, p. 7.

11 Attorney-General's Department, *Submission 15*, p. 8.

12 Attorney-General's Department, *Submission 15*, p. 8; Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 9.

13 Attorney-General's Department, *Submission 15*, p. 8; Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 11.

14 The Cocos (Keeling) Islands Cooperative Society, viewed 30 November 2009, <[www.cocoscoop.com](http://www.cocoscoop.com)>.

15 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 11.

16 Attorney-General's Department, *Submission 15*, p. 8.

the potential of the tourism sector 'is seriously constrained by a number of factors', one of which is that 'the approximately 1000 tourism beds are booked to capacity for much of the year.'<sup>17</sup>

- 3.14 The Shire of Cocos (Keeling) Islands is currently preparing the Vision 2010 strategic document which looks at improving youth employment on the Cocos (Keeling) Islands.<sup>18</sup>
- 3.15 The economy and population of the Cocos (Keeling) Islands is significantly smaller than that of Christmas Island and, as its nearest jurisdictional neighbour, relies on it 'through critical links such as health services and air and sea transport.'<sup>19</sup>
- 3.16 The Cocos (Keeling) Islands have access to regular visits by a medical practitioner, specialists and a dentist. In circumstances where these services are unavailable, a person would go to either Christmas Island or Perth for treatment. The community predominantly cares for its aged population within the family structure.<sup>20</sup>

## Phosphate mining on Christmas Island

### A brief history

- 3.17 Phosphate mining commenced on Christmas Island in 1897 when the British Government<sup>21</sup> granted a 99 year mining lease to the Christmas Island Phosphate Company Limited.<sup>22</sup> In 1900, the first shipment of phosphate left Christmas Island.<sup>23</sup>
- 3.18 Until the 1930s, the mining workforce was recruited mainly from the Cocos (Keeling) Islands and China. As a consequence of poor financial circumstances, long distances and political upheavals in their country of origin, many Chinese workers remained on Christmas Island. The largest recruitment of Cocos Malay workers occurred from 1948 to 1959 due to

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17 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 10.

18 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 9.

19 Attorney-General's Department, *Submission 15*, p. 8.

20 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 10.

21 The United Kingdom of Great Britain annexed Christmas Island in 1888. Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 1.

22 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 1.

23 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 1.

increased population pressures on the Cocos (Keeling) Islands. Following this period, workers were recruited from Malaysia and Singapore.<sup>24</sup>

- 3.19 In 1926 and 1939, to ensure an affordable supply of fertiliser for their agricultural industries, the Australian and New Zealand Governments made attempts to purchase the phosphate mining company. These discussions were thwarted firstly by the Great Depression and later as a result of the occupation of Christmas Island by Japanese forces during the Second World War. Together these events reduced the profitability of the Christmas Island Phosphate Company.<sup>25</sup>
- 3.20 As a consequence of its growing economic inefficiency, in 1948, the Christmas Island Phosphate Company was sold to the Australian and New Zealand Governments.<sup>26</sup>
- 3.21 In 1987, when high grade ore had run out, the mine was closed. In 1990, phosphate mining was resumed by a private company – Phosphate Resources Limited, trading as Christmas Island Phosphates (CIP).<sup>27</sup>
- 3.22 CIP’s existing mining lease ceases in 2019 with enough product available at existing mine sites to supply phosphate at its present demand level for the next five years. In an attempt to extend mining operations, CIP has applied for additional mining leases of 256 hectares, separated into eight separate blocks (outside of the national park), covering 1.8 per cent of the area of Christmas Island.<sup>28</sup> As these lease applications have environmental implications, they are currently being considered by the Minister for the Environment.<sup>29</sup>

## Economic, social and environmental impact of phosphate mining

- 3.23 Phosphate mining has been Christmas Island’s main source of employment and income for over a century. CIP has remained the only company engaged in phosphate mining activities on Christmas Island. The price that CIP is able to sell its product for is determined by the world

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24 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, pp 4-5.

25 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, pp 2-3.

26 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 3.

27 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and Future Governance arrangements in the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 8; Joint Standing Committee on the National Capital and External Territories, February 2005, *Delivering the Goods*, Parliament of the Commonwealth of Australia, Canberra, p. 18.

28 Christmas Island Phosphates, *Submission 6*, p. 1.

29 Phosphate Resources Ltd., Mr Clive Brown, *Transcript T5*, 28 September 2009, p. 29.

phosphate market. CIP's main customers are: the mainland, New Zealand, Malaysia, Indonesia and Thailand.<sup>30</sup>

- 3.24 More recently, due to conditions created by the global financial crisis, there has been a reduction in CIP's customer base. At the start of 2009, this resulted in a six week close down period of the phosphate mine.<sup>31</sup>
- 3.25 As the primary driver of the Christmas Island economy, phosphate mining activities have spurred the development of complementary industries within the Christmas Island economy. These include: the services, construction, and public administration and defence industries.<sup>32</sup>
- 3.26 Phosphate mining's direct financial impact on the Christmas Island economy comprises:
- \$17 million in company tax
  - \$4.9 million in income tax paid on employee wages and bonuses
  - \$3.2 million in phosphate royalties
  - \$1.3 million for a rehabilitation levy
  - \$260 000 in fringe benefits tax
  - \$140 000 in local government rates
  - \$24 000 for rental of the mining lease
  - \$200 000 community donations
  - \$250 000 sponsorships.<sup>33</sup>
- 3.27 The phosphate mining industry has also provided an economic base from which the Christmas Island population has been able to develop and expand and so has become an integral part of the social and cultural identity of Christmas Island.
- 3.28 CIP employees contribute to the local community through service to the State Emergency Service, Fire Brigade, Ambulance Service and as shire councillors. CIP also provides 38 hours per year of paid leave to employees who attend community related meetings or for training purposes for employees engaged in community activities.<sup>34</sup>

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30 Christmas Island Phosphates, *Submission 6*, Appendix A, p. 27.

31 Attorney-General's Department, *Submission 15*, p. 7.

32 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xvii.

33 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xix.

34 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xix.

- 3.29 As part of its current mining lease and in addressing the environmental impact of phosphate mining, CIP pays a rehabilitation levy (currently \$1.3 million per annum) to the Government. Parks Australia manages the national park areas of Christmas Island and uses proceeds from the levy imposed on CIP to implement revegetation programs which rehabilitate former mine sites to rainforest.<sup>35</sup>
- 3.30 In regard to its application for new mining leases and in addition to the rehabilitation levy, CIP has indicated that it will donate \$5 million and an additional amount per tonne of phosphate mined for the conservation of threatened species or pest eradication on Christmas Island.<sup>36</sup> CIP stated:
- Basically, the conservation levy that we pay out to Parks Australia at the moment will continue with the new leases. So we are going to rehabilitate the mine sites. In addition, if we get the new leases, we will continue to contribute the conservation levy that we pay out currently to Parks Australia to do rehabilitation work. On top of that, we are coming up with \$5 million initially plus about \$1 million a year for environmental solutions for Christmas Island, which may be to save the pipistrelle bat or to remove the feral cats, for example.<sup>37</sup>

### Phosphate mining life span and future options

- 3.31 In April 2007, the previous Government announced that there would be no new grants approved that would expand mining on the Island.<sup>38</sup>
- 3.32 With the expiry of the current mine lease and if no new mining leases are granted, phosphate mining on Christmas Island will cease by 2019. However, if the additional mining leases that were recently applied for are granted, mining would cease by 2024 (15 years).<sup>39</sup> Without the new leases being granted, and as a result of diminishing phosphate, CIP has indicated phosphate mining on Christmas Island is expected to cease within 5 years.<sup>40</sup>

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35 Parks Australia, Mr Peter Cochrane, *Transcript T2*, p. 3.

36 Phosphate Resources Ltd., Mr Clive Brown, *Transcript T5*, p. 32.

37 Phosphate Resources Ltd., Mr Alfred (Wah Mun) Chong, *Transcript T5*, 28 September 2009, p. 32.

38 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

39 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xxi.

40 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xxi.

- 3.33 CIP advised that without the phosphate mining industry and with no alternative industry to bolster the economy, Christmas Island would face a significant economic down turn.<sup>41</sup>
- 3.34 The Attorney-General's Department (AGD) has acknowledged that the closure of the Christmas Island phosphate mine would 'result in ... the decrease in size of the local economy.'<sup>42</sup>
- 3.35 Further, CIP has stated 'if there is to be an orderly transition to an alternative economy without significant cost to the Commonwealth, the Island's only proven, industry, phosphate mining, must continue.'<sup>43</sup>
- 3.36 CIP advocated that an alternative to phosphate mining needs to be found and transition from one industry to another will take time, effort and financial investment. CIP has suggested that Christmas Island's current emerging eco-tourism industry could be further developed until phosphate mining draws to a close, but that an additional ten to fifteen years would be required for this transition to adequately take place.
- 3.37 CIP indicated 'early mining activity has left long-lasting damage to some of the island's topography'<sup>44</sup> with more recent mining activity confined to specific areas.<sup>45</sup> However, unlike the previous environmental degradation caused by mining activities, current activities provide 'support for expanding the very small tourism sector through revenues, salaries and company goodwill for protecting and recovering the Island's unique ecology.'<sup>46</sup>
- 3.38 Dr Nic Dunlop offered a different point of view from CIP and stated:  
  
... there is no future for Christmas Island in mining as it will destroy the island's major asset, its environment. Current operations continue to negate tourism because operations produce constant dust emissions (making everything grubby), anti-social and dangerous road haulage and the evidence that the island's asset (its environment) is constantly being degraded.<sup>47</sup>
- 3.39 The Christmas Island Chamber of Commerce (CICC) stated while it had some reservations about the phosphate mine's activities regarding the
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41 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xxii.

42 Attorney-General's Department, *Submission 15*, p. 7.

43 Christmas Island Phosphates, *Submission 6*, p. 4.

44 Christmas Island Phosphates, *Submission 6*, p. 4.

45 Christmas Island Phosphates, *Submission 6*, p. 4.

46 Christmas Island Phosphates, *Submission 6*, p. 4.

47 Ms Dee Margets and Dr Nic Dunlop, *Submission 10*, p. 2.



clearing of primary rainforest 'as far as the mine is concerned, ... if there is no mine, there is no economy, there is no tourism and there is no alternative economy at all.'<sup>48</sup>

- 3.40 AGD reiterated that the economic fate of Christmas Island's economy is linked to the phosphate commodity market as recent close down periods due to temporary depressions in the phosphate market demonstrate.<sup>49</sup>
- 3.41 Based on what occurred when the previous phosphate mine closed from 1989 to 1991, it is likely the majority of mine employees will leave Christmas Island if the mine closes again. The flow on effects would be felt throughout the Christmas Island economy and because of air and sea transport service links through to the Cocos (Keeling) Islands economy. In particular:

Without demand from the mine, mine employees and their families, and the businesses and population that support the mine, there will be a reduced demand for air and sea transport to Christmas Island which will affect the economy of the Cocos (Keeling) Islands.<sup>50</sup>

- 3.42 The AGD sponsored report on *The economy of the Indian Ocean Territories* found phosphate mining would need to cease altogether before diversification of the economy could be attempted through expansion of the tourism sector. In addition, significant investment would be required for infrastructure, tourism marketing and promotion, and improving flight frequency and affordability. The ACIL Tasman report noted:

Economic diversification on Christmas Island is likely to be based on the tourism sector. However, successful expansion of tourism will be extremely difficult while there is an operating mine on the island. While planning and investment can take place well in advance of mine closure, actual significant expansion of the sector is likely to be possible only post mine closure and will require significant investment to: increase the quality of the products offered; expand the range of activities available; invest in tourist facility infrastructure; develop a service culture; invest further in

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48 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T 4*, p. 42.

49 Attorney-General's Department, *Submission 15*, p. 7.

50 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 95.

promotion and marketing; and encourage more appropriate flight links and more competitive flight pricing.<sup>51</sup>

- 3.43 However, while diversification of the economy will be of benefit into the longer term, in regard to assisting in providing an acceptable level of employment, in the short term it is unlikely to provide 'employment opportunities for the specific individuals displaced in the mining sector.'<sup>52</sup>

## Conclusions

- 3.44 The economic and social structures which have developed on Christmas Island over the last century are a result of its phosphate resources and subsequent mining activities. Phosphate mining will cease on Christmas Island within the next five to fifteen years with the exact timeframe dependent on whether new mining leases can be secured and whether at the very least, demand for phosphate continues at its present level. Closure of the Christmas Island phosphate mine would have immediate negative implications for its employees and create a significant down turn in the economy.
- 3.45 The present volatility of the world phosphate market has resulted in Christmas Island Phosphates suspending its mining activities for periods of time, with future mine closures expected, reflecting the possible overall emerging trend in the decline in demand for phosphate. The volatility of the phosphate market has meant periods of short term down turns for Christmas Island's economy. Christmas Island experienced similar economic outcomes during and after large-scale construction projects.
- 3.46 While large bursts of construction activity have temporary positive outcomes for the local economy, these activities are unpredictable and so unsustainable, leaving the economy susceptible to sharp boom-bust cycles.
- 3.47 Previous committee reports have highlighted the issue of the negative economic impact of mine closure on the Christmas Island economy. With mine closure expected in the short to medium term, planning for the possible consequences of the mine's closure could assist in offsetting either wholly or partially the negative impact of mine closure on the Christmas Island economy.

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51 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. xi.

52 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. x.

- 3.48 As volatility of the Christmas Island economy is mainly attributable to its primary reliance on one industry which in the long term is unsustainable, creating incentives for diversification of the economy is required. Further, the timeframe for transition to an alternative sustainable industry or industries needs to be explored without delay.
- 3.49 There is support for expansion of the tourism industry to offset the negative economic impact of the closure of the phosphate mine. The committee believes the Shire of Christmas Island, in cooperation with relevant stakeholders include expansion of the local tourism industry in any economic diversification strategy considered.

### **Recommendation 1**

- 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.**

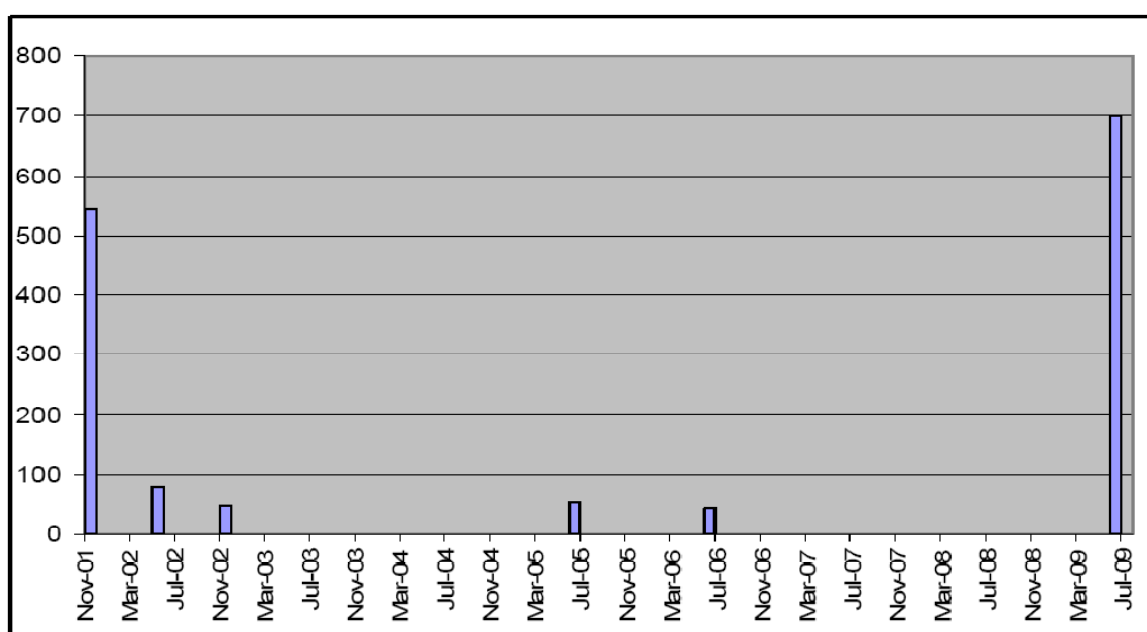
## **Christmas Island Immigration Reception and Processing Centre**

- 3.51 The Department of Immigration and Citizenship (DIAC) manages the Christmas Island Reception and Processing Centre (CIRPC) and has maintained a presence on Christmas Island since 2001. The CIRPC is an immigration detention facility which undertakes screening activities for unauthorised maritime arrivals to Australia.
- 3.52 DIAC operates three immigration detention facilities on Christmas Island:
- North West Point - opened in December 2008, accommodates single men
  - Phosphate Hill - the original immigration detention centre

- Construction Camp – an alternative place of detention, used to accommodate women, children, family groups with children and vulnerable groups.<sup>53</sup>

3.53 Although DIAC has had a sustained presence on Christmas Island since 2001, its level of activity is created through irregular illegal maritime arrivals which have fluctuated over time as indicated in Figure 3.1.<sup>54</sup>

Figure 3.1 Activity related to operation of the Christmas Island Immigration Reception and Processing Centre over the period 2001 to 2009



Source Department of Immigration and Citizenship, *Submission 22*, p. 1.

3.54 In addition to DIAC staff and contracted service providers, there are a number of other Government and Non Government Organisations (NGOs) involved in providing immigration detention associated services. These are: Australian Customs, the Australian Federal Police and AGD. NGOs assisting are: Life Without Barriers, Australian Red Cross, the Forum of Australian Services for Survivors of Torture and Trauma, and the International Health Medical Services. Staff 'are often based on Christmas Island for semi permanent periods eg. 3 or 6 months'. Some staff may also be on shorter contracts.<sup>55</sup>

53 Department of Immigration and Citizenship, *Submission 22*, p. 2.

54 Department of Immigration and Citizenship, *Submission 22*, p. 1.

55 Department of Immigration and Citizenship, *Submission 22*, p. 2.

- 3.55 The committee heard a range of views about the economic impact of DIAC's activities on Christmas Island. DIAC drew attention to the economic impact its construction and ongoing management of immigration is having. Other views received highlight some of the issues inherent in the Christmas Island economy and the direct and indirect economic impact the operation of the CIRPC is having.
- 3.56 AGD suggested the construction of the CIRPC and more recently the increased activity associated with 'immigration detention and screening activities for unauthorised' maritime arrivals has had a positive impact on Christmas Island's economy.<sup>56</sup>
- 3.57 DIAC stated its previous construction activities on Christmas Island were tendered 'on the open market and involved mainland companies.'<sup>57</sup> Using this method created 'an influx of skilled workers as well as additional work for local tradespeople.'<sup>58</sup>
- 3.58 However, DIAC acknowledged its construction activities have had a temporary effect on the economy and not assisted in further developing the Christmas Island construction or hospitality sectors. DIAC found:

During the construction of North West Point the contractor maximised use of local businesses and resources involving flights, cranes and earthwork. They also established construction packages to suit local business capacities and provided on the job training for local individuals. In addition all flights to and from the mainland, including charter flights were procured through the local travel agency and airline. It is worth noting that despite this work there has been no evident or discernable lasting expansion of the local building sector, such as [an] increase in the number of trade contractors, private building activity or significant growth in hospitality infrastructure.<sup>59</sup>

- 3.59 The Shire of Christmas Island attributed the recent doubling in rent prices on Christmas Island to the increase in demand for accommodation generated by an increased presence of DIAC staff and contractors. The Shire of Christmas Island stated:

There have been a range of rental increases but in single-bedroom units in Settlement the rent has doubled in recent months. People

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56 Attorney-General's Department, *Submission 15*, pp 7-8.

57 Department of Immigration and Citizenship, *Submission 22*, pp 2-3.

58 Department of Immigration and Citizenship, *Submission 22*, pp 2-3.

59 Department of Immigration and Citizenship, *Submission 22*, p. 3.

who are coming out of a lease are being faced with either moving or doubling their rent. That is not happening to everyone but there is certainly a group of houses down there where that occurred. In 2002, I had a similar experience, the rent I was paying on a family house was \$320 a week; they wanted \$480. I ended up buying a house. Other people are thinking the same way here but there is a shortage of houses. The department's activities are having a huge impact on rentals. I do not know what the outcome will be on purchase prices, but they seem to be on the rise.<sup>60</sup>

- 3.60 The Shire of Christmas Island stated that it is widely believed in the community that the increase in rents is attributable to the increase in DIAC related activities. The Shire Council stated:

The causes of the paid increases in rents that have occurred this year are commonly attributed to the rapid increase in demand from the Department of Immigration and Citizenship staff and contractors who have come to Christmas Island to work with asylum-seekers who began to arrive in October 2008.<sup>61</sup>

- 3.61 DIAC stated 'the bulk of departmental staff, NGO staff and contractor staff use Departmental accommodation. Some additional accommodation is sourced through rental properties and a wing of the Christmas Island Lodge.'<sup>62</sup>

- 3.62 In addition, some illegal maritime arrivals (unaccompanied minors and families) are accommodated within the community 'in departmental owned accommodation through community detention arrangements.'<sup>63</sup>

- 3.63 The increase in the price of food was highlighted as a broad issue and more specifically in regard to supplying the CIRPC. Ms Charlene Thompson stated that it was speculated within the community that the cost of food had increased as a result of DIAC activity. However, Ms Charlene Thompson also stated the higher prices could not definitively be attributed to the operation of the CIRPC. Ms Charlene Thompson stated:

Unfortunately, in this community blame is easy to mete out and I think some members of our community think that the current higher prices of food are due to asylum seekers eating it. Somebody is going to make profit out of this. I do not really know

60 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 17.

61 Shire of Christmas Island, *Submission 24*, p. 11.

62 Department of Immigration and Citizenship, *Submission 22*, p. 4.

63 Department of Immigration and Citizenship, *Submission 22*, p. 2.

who is making the profit or why, but food costs on this island have accelerated hugely in the last nine months.<sup>64</sup>

- 3.64 DIAC advised it is conscious of its impact on the local community and operates to ensure that 'adequate goods and services are available for the local community and has always sought to balance [DIAC's] activities with the requirements of the community (ie. avoid buying out the local shops).'<sup>65</sup>
- 3.65 In addition, 'people in community detention are supported by Red Cross who provide for the needs of this group. The bulk of the day to day expenditure is food and general living which is purchased direct from local suppliers.'<sup>66</sup>
- 3.66 In terms of future food supply DIAC noted that reliance on the 'local Christmas Island economy to provide for people in immigration detention has declined over time.' DIAC added, 'the current catering contractor air-freights large quantities of perishable foods from Perth via Jakarta then to the Island.'<sup>67</sup>
- 3.67 DIAC's newly engaged food contractor is in discussions with the local hydroponics farm to supply perishable items. DIAC stated 'this would be a boost to the local economy and should also save costs.'<sup>68</sup>
- 3.68 Further, DIAC operates occasional charter flights between Perth and Christmas Island to support its detention and processing activities on Christmas Island. Two additional services have been in operation since mid 2009. They are offered on Wednesdays and Saturdays to cater for DIAC's increased demands. DIAC has made spare freight capacity on its chartered flights available to the Christmas Island community to assist with the delivery of fresh produce and mail. However, this service is subject to DIAC's operational demand and may not be available in the future.<sup>69</sup>
- 3.69 The Christmas Island Tourism Association (CITA) raised the issue of the impact on hire car availability as a result of DIAC's increased presence on Christmas Island and stated:

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64 Ms Charlene Thompson, *Transcript T4*, p. 54.

65 Department of Immigration and Citizenship, *Submission 22*, p. 4.

66 Department of Immigration and Citizenship, *Submission 22*, p. 4.

67 Department of Immigration and Citizenship, *Submission 22*, p. 4.

68 Department of Immigration and Citizenship, *Submission 22*, p. 4.

69 Attorney-General's Department, *Submission 15*, p. 16.

We have a lack of ground transport on the island. We have a limited supply of hire cars and the small supply that we do have is now taken up by the Department of Immigration and Citizenship and their associated agencies.<sup>70</sup>

- 3.70 In response to its impact on the hire car sector, DIAC advised it has taken measures to address the issue of under supply and stated:

The Department is conscious of the limited car hire resources and as such has arranged for cars and mini-buses to be brought over from the mainland. Other contractors however have leased a number of vehicles from local car hire companies.<sup>71</sup>

- 3.71 DIAC noted its positive impact in other areas of the Christmas Island economy such as education, community events, the provision of information technology infrastructure, providing local employment and the use of local services for people in community detention.<sup>72</sup>

- 3.72 In addition, DIAC has established the Christmas Island Community Consultative Group which meets monthly. The consultative group 'provides an opportunity to explore and consider issues relating to the range of services, activities and welfare opportunities available to people in immigration detention'.<sup>73</sup> The group also serves to 'foster communication and consultation between the Department, the Detention Services Provider and local community support/service providers.'<sup>74</sup>

- 3.73 In regard to the positive economic impact the operation of the CIRPC is having on the Christmas Island economy, Ms Charlene Thompson stated:

I think there has been an overwhelming positive response to the fact that DIAC has put in some permanent staff here. That is good for our island economy as well as the community. It gives a sense of stability and sustainability.<sup>75</sup>

- 3.74 DIAC advised 'there has been no economic modelling work undertaken' on the impact on the local economy of the operation of the CIRPC.<sup>76</sup>

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70 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 78.

71 Department of Immigration and Citizenship, *Submission 22*, p. 4.

72 Department of Immigration and Citizenship, *Submission 22*, pp 3-5.

73 Department of Immigration and Citizenship, *Submission 22*, p. 5.

74 Department of Immigration and Citizenship, *Submission 22*, p. 5.

75 Ms Charlene Thompson, *Transcript T4*, p. 53.

76 Department of Immigration and Citizenship, *Submission 22.1*, p. 2.



Further DIAC added, averaged over time, the impact of its activities since has been low, despite 'the high activity peaks in 2001 and 2009.'<sup>77</sup>

- 3.75 DIAC stated its greatest impact on the economy was in providing local employment in the ongoing facility management area, but that as the number of people in detention falls, 'contractors will need to manage costs by reducing labour.'<sup>78</sup>
- 3.76 The main ongoing economic challenges facing the management of immigration activities on Christmas Island are:
- air transport – commercial flights are often booked to capacity requiring the arrangement of charter flights
  - transport (on Island) – there is limited public transport and vehicle hire is one of the largest operating costs encountered. In addition, increased traffic on roads causes deterioration of roads
  - freight – procurement of food and supplies are a major component of operating expenses
  - accommodation – provision of suitable accommodation for staff and people in community detention
  - efficient use of DIAC and contractor staff – for processing of irregular maritime arrivals.<sup>79</sup>
- 3.77 In early December 2009, in response to the increases in the number of illegal maritime arrivals, DIAC announced it would reconfigure its existing detention accommodation and also install demountable buildings, increasing its overall bed capacity from 1088 to 2200 by March 2010.<sup>80</sup>

## Conclusions

- 3.78 The committee supports actions by the Department of Immigration and Citizenship (DIAC) and other Government and Non Government Organisations to engage contractors and businesses of the Indian Ocean Territories to supply goods and services for the Christmas Island Reception and Processing Centre (CIRPC).

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77 Department of Immigration and Citizenship, *Submission 22*, p. 7.

78 Department of Immigration and Citizenship, *Submission 22*, p. 7.

79 Department of Immigration and Citizenship, *Submission 22*, p. 6.

80 Department of Immigration and Citizenship, *Increased capacity on Christmas Island*, media release, Canberra, 1 December 2009.

- 3.79 Establishment of the Christmas Island Community Consultation Group supports continued dialogue between DIAC and the Christmas Island community, assists with engaging local labour, and encourages the purchase of local produce for CIRPC related activities where possible.
- 3.80 While the Christmas Island community welcomes the positive economic impact of CIRPC activities, there is speculation within the local community that the recent doubling of the price of rental accommodation and the high increases in food products is directly attributable to the significant increase in DIAC staff and contractors.
- 3.81 Quantifying the economic impact of DIAC and related agencies activities is required to identify the possible causes of the general price increases on Christmas Island with a view to identifying ways to counteract causes, where possible, into the future.
- 3.82 Therefore, the committee suggests that economic modelling be undertaken to determine the impact of CIRPC's operations on the Christmas Island economy, including the impact on the housing market, and the price and availability of goods and services.

## **Recommendation 2**

- 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.**

## Fostering economic development

### Economic challenges facing business

- 3.84 The economic challenges facing the IOTs economies are predominantly due to their physical remoteness and isolation. The high cost of sea and air freight and the limited accessibility by air services has meant that there are financial barriers to establishing and managing a business on the IOTs.
- 3.85 In addition to the issues faced as a result of size and isolation, a number of issues which stifle business activity for the IOTs are discussed in this and the remaining three chapters.

### Christmas Island

- 3.86 On Christmas Island, 78 properties are listed as providing commercial services, one other is listed as a casino, four are mining dwellings and 21 are industrial properties.<sup>81</sup>
- 3.87 The main issues identified as restricting business operation and development are:
- the high cost of air and sea freight or shipping which contributes to the high cost of goods and services<sup>82</sup>
  - the high cost of air transport<sup>83</sup>
  - established monopolies within the economy<sup>84</sup>
  - holding any company dealing with Christmas Island accountable<sup>85</sup>
  - long delays in receiving payment for services and products provided to Government agencies<sup>86</sup>
  - limited tourism infrastructure<sup>87</sup>

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81 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 51.

82 Mr Kerry Walker, *Submission 1*, p. 1; Mr John Sorensen, *Submission 2*, p. 3; Shire of Christmas Island, *Submission 24*, p. 5.

83 Dr Nic Dunlop, *Submission 10*, p. 2.

84 Christmas Island Tourism Association, *Transcript T4*, p. 79.

85 Mr Kerry Walker, *Submission 1*, p. 1.

86 Ms Charlene Thompson, *Submission 14*, p. 4.

- limited strategic direction for the Island<sup>88</sup>
- limited availability of qualified tradespeople<sup>89</sup>
- the changing demographic<sup>90</sup>
- no land release or development plans.<sup>91</sup>

3.88 The Christmas Island Chamber of Commerce (CICC) suggested the following further issues are challenges facing businesses on Christmas Island:

- heritage considerations – either through a lack of recognition of heritage boundaries within the planning process or local administration of the heritage guidelines
- absence of a land planning scheme – Eg. limited amount of land has been made available for commercial development
- local transport requires planning
- the application of an unsuitable building code – Eg. the WA building codes have been applied, but are not suited to Christmas Island’s physical environment
- limited availability of office space<sup>92</sup>
- a high level of bureaucracy<sup>93</sup>
- limited availability of internet bandwidth service.<sup>94</sup>

3.89 In regard to the issue of limited availability of internet bandwidth, Mr John Hibbard stated quality telecommunication services are vital for the development of Christmas Island. In particular, Mr Hibbard stated the current telecommunications services used for education, medical, business and tourist services is constrained by the high cost of using a ‘very limited satellite bandwidth’.<sup>95</sup>

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87 Mr John Sorensen, *Submission 2*, p. 3; Mrs R Peter, *Submission 12*, p. 3; Mrs R Peter, *Submission 12*, p. 3; Dr Nic Dunlop, *Submission 10*, p. 2; Shire of Christmas Island, Mr Gordon Thompson, *Transcript T4*, p. 9.

88 Christmas Island Tourism Association, *Transcript T4*, p. 78.

89 Cocos (Keeling) Islands District High School, *Submission 3*.

90 Christmas Island Phosphates, *Submission 6*, Appendix, p. 3.

91 Christmas Island Tourism Association, *Transcript T4*, p. 79.

92 Christmas Island Chamber of Commerce, *Submission 19*, pp 3-4.

93 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 42.

94 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 42.

95 Mr John Hibbard, *Submission 17*, p. 1.

- 3.90 In regard to providing broadband internet in the IOTs, the Christmas Island Internet Administration stated it encounters very high costs in operating and maintaining a very complex network because of the Island's topography and dispersed settlement locations. The issues relating to information communication technology are discussed in more detail in Chapter 5.
- 3.91 The Shire of Christmas Island was concerned that there is no health and safety inspectorate on Christmas Island as 'arrangements have not been agreed between the State of Western Australia and the AGD.' The Shire added 'the lack of enforcement procedures and activities puts the health and safety of workers in the private sector at risk.'<sup>96</sup>
- 3.92 The Shire of Christmas Island was also concerned Corporations Law does not apply to Christmas Island. The Shire of Christmas Island advocated legislation to allow for cooperatives to be established, similarly to the Cocos (Keeling) Islands and stated:
- The Corporations Act does not apply on Christmas Island. We need legislation that allows cooperatives to be established on Christmas Island. Cocos (Keeling) Islands are served by a Cooperatives Act. Christmas Island is not. And we should be.<sup>97</sup>
- 3.93 AGD acknowledged there may be implications for future economic development without application of Corporations Law and added:
- It would be desirable for Corporations law to apply in the Territories as it is Australian Government policy to normalise the legal framework of the Territories. Commonwealth laws are intended to operate in the Territories as they do in the rest of Australia, unless they are specifically excluded from operation. The Department is exploring options to achieve this.<sup>98</sup>
- 3.94 Ms Charlene Thompson highlighted Christmas Island economy's reliance on the short term payment of services from large public organisations such as DIAC and stated:
- I think there are some practical ways that big organisations like the hospital and, particularly Immigration and Serco who have come here now, can help. Yes, we are a remote island and we have a very small micro-economy: help it. Do not make us wait four

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96 Shire of Christmas Island, *Submission 24*, p. 9.

97 Shire of Christmas Island, *Submission 24*, p. 9.

98 Attorney-General's Department, *Submission 15*, p. 17.

months to get paid. Do not make us wait even the usual 60 days.  
Make it 30 days.<sup>99</sup>

- 3.95 Since November 2008, the *Financial Management and Accountability Act 1997* (Cwlth) provides that Government agencies 'are required to adopt maximum payment terms not exceeding 30 days from the receipt of a correctly rendered invoice.'<sup>100</sup>
- 3.96 Recently, the Government noted 96.5 percent of its agencies are punctual in paying their bills to small business on time and highlighted that the private sector is worse at paying its bills on time with an average waiting time of 51 days for payments.<sup>101</sup>
- 3.97 AGD has recognised the remoteness of the IOTs coupled with a small work force creates high on-island labour costs where a large number of vacancies are filled from the mainland. This results in high recruitment costs consisting of the payment of relocation, holiday airfares and housing for staff.
- 3.98 In regard to the recent increase in the price of basic goods, especially food, the Shire of Christmas Island stated it had not properly measured the price of foodstuffs over the last year, but that it was surprising to see that seven bananas cost \$17.<sup>102</sup>
- 3.99 The Australian Competition and Consumer Commission (ACCC) advised that, provided they do so independently, suppliers of goods and services on the IOTs are free to set their own prices in a way that is not misleading.<sup>103</sup>
- 3.100 Further, the ACCC noted it has on occasion received complaints about pricing issues associated with the application of the Goods and Services Tax (GST) or the cost of shipping in regard to the IOTs. The ACCC advised the WA Department of Commerce is the agency tasked with handling consumer protection issues for IOTs residents.<sup>104</sup>

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99 Ms Charlene Thompson, *Transcript T4*, p. 53.

100 Department of Finance and Deregulation, 28 November 2008, No. 2008/10, Procurement 30 Day Payment Policy for Small Business, viewed 1 February 2010, <[www.finance.gov.au](http://www.finance.gov.au)>.

101 D Crowe, 'Government speeds up SME payments', *The Australian Financial Review*, 14 January 2010, p. 5.

102 Shire of Christmas Island, *Transcript T4*, p. 12.

103 Australian Competition and Consumer Commission, *Submission 29*, p. 1.

104 Australian Competition and Consumer Commission, *Submission 29*, pp 1-2.

## Cocos (Keeling) Islands

- 3.101 There are approximately 30 small business listings on the Cocos (Keeling) Islands, most of which service the tourism sector. These include providers of: accommodation, restaurants and water activities.<sup>105</sup>
- 3.102 In addition to the competition issues surrounding the high cost of goods and services inflated by the cost of air and shipping freight, the limitations of information communication technology services, high levels of complex bureaucracy, an absence of tourism infrastructure and the changing demographic, a number of other issues were raised which were seen to affect business development. These were identified as:
- establishing ways to capitalise on the IOTs proximity to Asia<sup>106</sup>
  - an over reliance on Government funding<sup>107</sup>
  - application of the *Environment Protection and Biodiversity Conservation Act 1999 (Cwlth)*<sup>108</sup>
  - the high cost of housing<sup>109</sup>
  - a shortage of available and affordable housing on West Island<sup>110</sup>
  - limited land release for housing development<sup>111</sup>
  - land is not readily released for development<sup>112</sup>
  - there is a limited number of permanent essential tradespeople and an inability to attract tradespeople<sup>113</sup>
  - postal delivery is slow and costly<sup>114</sup>
  - low wages.<sup>115</sup>

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105 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 51.

106 Mr Ron Grant, *Submission 20*, p. 2.

107 Mr Ron Grant, *Submission 20*, p. 2.

108 Mr John Clunies-Ross, *Submission 7.1*, p. 3; Mr Nyall Ledger, *Submission 11*.

109 Mr John Clunies-Ross, *Submission 7*, p. 6.

110 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3.

111 Cocos Islands Co-Operative Society, *Submission 26*, p. 4.

112 Mr Ron Grant, *Transcript T5*, p. 20.

113 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3.

114 Cocos Islands Cooperative Society Ltd, *Submission 26*, p. 1; Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 3.

- 3.103 Mr Ron Grant made the point that it is unclear whether the high price of basic consumer goods is due to the high cost of freight or whether other issues are affecting prices and stated:

The issue relates to how much prices reflect poor management of organizations supplying the food, or even excess profit taking by organizations. The question this point raises is: Do prices that are charged reflect issues other than cost of goods, freight and a reasonable profit margin?<sup>116</sup>

- 3.104 In its submission to the Inquiry into coastal shipping policy and regulation, AGD acknowledged:

Shipping has been identified as a major underlying cost of almost all economic activity in the IOT. The IOT economies are small and particularly vulnerable to cost increases. Economic growth is closely linked to the affordability of shipping services as many inputs for local businesses are shipped from the mainland. A decrease in service and/or an increase in shipping costs is likely to have a substantial, adverse effect on the IOT economies.<sup>117</sup>

- 3.105 Issues surrounding the cost of sea and air freight are discussed further in chapter 6.
- 3.106 The Shire of Cocos (Keeling) Islands favoured government assistance to solve the current economic challenges facing business and stated:

The operation of business on Cocos is faced with many challenges ... Governmental intervention may be the only solution in areas such as the cost of freight, the availability of housing, the difficulties and cost of obtaining insurance, the restrictions that quarantine and customs laws enforce as an external territory of Australia, the confusion with postal requirements, the difficulties in obtaining staff and qualified tradespersons and also the welfare system. A critical limit needs to be determined for the capacity of both permanent residents and visitors to the islands to continue to be able to provide the infrastructure and have the ability to remove waste and offer other services. The lack of housing on the

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115 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 90.

116 Mr Ron Grant, *Submission 20*, p. 56.

117 Attorney-General's Department, April 2008, *Submission to the House Standing Committee on Infrastructure, Transport, Regional Development and Local Government's Inquiry into coastal shipping policy and regulation*, AGD, Canberra, p. 4.



islands impacts many areas, including all businesses and their ability to attract staff and specialist personnel or tradespeople.<sup>118</sup>

## Conclusions

- 3.107 For the Indian Ocean Territories (IOTs), the price of basic goods and services including imported labour costs are high, with food prices particularly volatile. This has the effect of reducing living standards and increasing the cost of business operation. Evidence indicates that price fluctuations could be due to a number of factors including: the high cost of freight, excess profit taking by organisations and poor management by food suppliers.
- 3.108 Apart from the impact of the high cost of sea freight on the price of goods, without price monitoring, it is uncertain as to what the other contributing factors are to price inflation. Collecting and recording price data over time would assist in identifying pricing trends and account for possible anomalous economic impacts.
- 3.109 While IOTs businesses place a high priority on providing goods and services to Government agencies, evidence received suggests that Government agencies are taking excessive time to pay accounts and that business can not afford to wait for long periods for payment. The committee suggests Government agencies could assist IOTs businesses by making payments to local contractors and providers within 30 days of the receipt of invoices. This follows a mandate from the Government for public sector agencies subject to the *Financial Management and Accountability Act 1997* (Cwlth) that payments to small business be made within 30 days of the receipt of invoice.
- 3.110 Extending Corporations Law to the IOTs was a recommendation by the previous committee in its 2006 report into current and future governance arrangements. The then Government responded by stating that it is considering extending Corporations Law to the IOTs.
- 3.111 Enabling Corporations Law to be applied to the IOTs would assist in providing the legal requirements for facilitating sustainable economic development. The committee suggests the Minister for Home Affairs fast track efforts to ensure application of Corporations Law for the IOTs.
- 3.112 Evidence received suggests that the Western Australian building codes which are applied to Christmas Island are not suited to the physical environment which provides an obstacle for infrastructure development

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118 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 3.

and more broadly economic development. The committee suggests that the building codes currently applied to the IOTs be reviewed with the aim of making them more suitable to the physical environment and climate.

- 3.113 In addition to the issues raised which affect prices and business operation, the committee notes the Shire of Christmas Island has requested that a health and safety inspectorate be located on Christmas Island. The committee agrees that to ensure workers' welfare, that a health and safety inspectorate should be located on Christmas Island. The committee advocates that arrangements between AGD and the Western Australian Government need to be finalised as soon as possible to enable this course of action.

### **Recommendation 3**

- 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**

- 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**

- 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**

- 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

- 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.**

## Role of the Government

- 3.119 The Government is assisting economic development in the IOTs through: establishment of Economic Development Consultative Groups (EDCGs), the funding of an Economic Development Officer (EDO) position, entering into a service delivery arrangement with the WA Small Business Development Corporation (SBDC), and by funding various grants for community based economic initiatives. Further, the Government provides direct investment for infrastructure and capital works.
- 3.120 In July 2008, the Government established EDCGs, with the aim of providing a consultation forum to assist with business development for the IOTs. EDCGs are assisted by the EDO.
- 3.121 In regard to access to direct funding, since 2001, State-type assistance grants have been made available to residents of the IOTs for community based initiatives. This grant program is similar to the model that operates in WA, with the same eligibility criteria applied. Funding made available in 2007-2008 was \$800 000 and as at 23 March 2009, eleven projects had been given grant approval totalling \$467 677.<sup>119</sup>
- 3.122 The Economic Development Funding Program (EDFP) provides further funding to the IOTs. Under the EDFP \$75 000 per annum is made available for each of the IOTs for community initiatives which 'seek to promote economic development initiatives which will increase employment opportunities, improve skills, expand/upgrade infrastructure or increase community capacity to become economically more sustainable.'<sup>120</sup>
- 3.123 The types of initiatives which have received funding under the EDFP in 2008-2009 are listed in Table 3.1. In 2008-2009, \$114 500 of the total \$150 000 in available funding was allocated.

119 Attorney-General's Department, *Submission 15*, p. 9.

120 Attorney-General's Department, *Submission 15*, p. 10; Attorney-General's Department, viewed 10 December 2009, <[www.ag.gov.au](http://www.ag.gov.au)>.

Table 3.1 Initiatives supported under the IOTs Economic Development Funding Program 2008-09<sup>121</sup>

Recipient	Project	Amount	Description	Note
<b>Christmas Island</b>				
Indian Ocean Territories Group Training Association	IOTs Entrepreneurial and Leadership Program	\$8500	To conduct five, day courses on Christmas Island and Coco (Keeling) Islands to build skills in leadership, communication, presentation, networking, business development, marketing and accounting, and increase cultural awareness within these communities.	Funded equally from Christmas Island and Cocos Budgets
Christmas Island Tourism Association Inc	Christmas Island Cruising Project	\$43 500	To provide a single point coordination resource to develop a work plan and activities to support the initial cruise ship season.	
<b>Christmas Island 08/09 Total</b>		<b>\$52 000</b>		
<b>Cocos (Keeling) Islands</b>				
Big Barge Art Co. sponsored by Shire of CKI	Big Barge Art Project	\$32 500	To fund the restoration of an historic barge for establishment of an arts and cultural facility on West Island	
Seacreature Leisure sports Pty Ltd	Kite Beach Infrastructure Upgrade Project	\$21 500	To fund a purpose built semi permanent shelter at Kite Beach on West Island, to support the activities of the growing kite surfing market.	
Indian Ocean Territories Group Training Association	IOTs Entrepreneurial and Leadership Program	\$8500	To conduct five, day courses on Christmas Island and Coco (Keeling) Islands to build skills in leadership, communication, presentation, networking, business development, marketing and accounting, and increase cultural awareness within these communities.	
<b>Cocos (Keeling) Islands 08/09 Total</b>		<b>\$62 500</b>		
<b>Total IOTs funding approved</b>		<b>\$114 500</b>		

121 Attorney-General's Department, *Submission 15.2*, p. 3.

- 3.124 Through a service delivery arrangement with the SBDC, the Government has made available 'independent information and advice to support existing and new businesses in the Territories.'<sup>122</sup>
- 3.125 Further, in response to the issues identified within the existing labour market (that is those associated with size and isolation) the Government through the EDO, the SBDC and the Indian Ocean Group Training Association (IOGTA) is assisting with increasing the on-island skill base with a view to 'provide further educational avenues for residents of the Territories.'<sup>123</sup>
- 3.126 In 2008-2009, IOGTA received \$850 000 in funding to: 'employ apprentices and trainees and support their training and placement with employers in the Territories, support the development of small business, provide employment training programs for employers and employees in the Territories, and support unemployed people in their need for training to gain employment.'<sup>124</sup>
- 3.127 In regard to direct investment infrastructure and capital works in the IOTs, the Government is coordinating an asbestos removal program (\$11 million) and upgrading Commonwealth owned assets (\$16 million annually over five years). In addition, on Christmas Island, the Government is providing walking trails to link heritage sites (\$3 million), and for the Cocos (Keeling) Islands is providing a new community centre on West Island (\$5 million).<sup>125</sup>
- 3.128 The Government also stipulates in its major contracts that local subcontractors and local labour should be used where possible. This includes tradespersons, trades assistants and labourers.
- 3.129 In June 2009, the Government announced that it would provide \$170 317 in funding for IOTs community arts projects.<sup>126</sup> Following this, in August 2009, the Government announced \$10.8 million in funding (over a period of 5 years starting in 2009-2010) for high priority capital works for Christmas Island and the Cocos (Keeling) Islands. This funding has the aim of sustaining services and supporting economic development in the IOTs with projects including:
- \$2.61 million to improve ports facilities

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122 Attorney-General's Department, *Submission 15*, p. 10.

123 Attorney-General's Department, *Submission 15*, p. 19.

124 Attorney-General's Department, *Submission 15*, p. 19.

125 Attorney-General's Department, *Submission 15*, p. 10.

126 B O'Connor (Minister for Home Affairs), *Christmas and Cocos (Keeling) Islands to receive community arts funding*, media release, Parliament House, Canberra, 24 June 2009.

- \$2 million for water and wastewater infrastructure upgrades
  - \$1.88 million to replace the key marine vessels which form the critical supply line from the mainland
  - \$500 000 for new health equipment
  - \$200 000 for refurbishments to Christmas Island High School.<sup>127</sup>
- 3.130 More recently in December 2009, the Government announced a \$50 million funding package for Christmas Island to ‘provide additional health, policing and education resources to maintain a high standard of service to the local community and to people in immigration detention.’<sup>128</sup>
- 3.131 Funding would commence in 2009-2010 and be distributed over a three year period to:
- ‘expand waste water treatment infrastructure to meet increased demand for this service
  - upgrade the power station to respond to the growing need for electricity on the Island
  - employ additional health workers through the Indian Ocean Territories health service
  - employ additional school teachers and aides at the Christmas Island District High School and
  - investigate the feasibility of lengthening the wharf at Flying Fish Cove and sealing the road to North West Point.’<sup>129</sup>
- 3.132 Table 3.2 shows how the \$50 million Christmas Island infrastructure funding package has been allocated.

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127 B O’Connor (Minister for Home Affairs), *\$10.8 million of capital works announced for Christmas and Cocos (Keeling) Islands*, media release, Parliament House, Canberra, 31 August 2009.

128 B O’Connor (Minister for Home Affairs), *Infrastructure boost for Christmas Island*, media release, Parliament House, Canberra, 15 December 2009.

129 B O’Connor (Minister for Home Affairs), *Infrastructure boost for Christmas Island*, media release, Parliament House, Canberra, 15 December 2009.

Table 3.2 Breakdown of the Christmas Island \$50 million infrastructure funding package<sup>130</sup>

Amount	Component	Notes
\$600 000	Health	Employment of additional doctor, a mental health nurse and visiting specialists (psychiatrist, physiotherapist).
\$2.1 million	Education	Employment of additional teachers, teacher aides and fit out of additional classrooms. Conversion of a part time coordination role to full time.
\$23.9 million	Power	Expand an existing project to upgrade power station. \$1.9 million of this has gone towards immediate maintenance and the purchase of additional fuel. The remaining funds will supplement an existing allocation for the purchase of four new power generators.
\$22.6 million	Waste water	Purchase and installation of additional pumps and controls and modular treatment infrastructure at the existing Smith Point sewerage treatment site.
\$200 000	Wharf expansion feasibility	Determine current and future passenger transfer requirements, safety and environmental risk factors of the current usage profile and options for lengthening the wharf. Examine economic benefits and environmental impacts of an expansion.
\$600 000	Road sealing feasibility study	Determine health and safety and environmental issues, including the cost to protect the iconic red crab migration.

130 Attorney-General's Department, *Submission 15.5*, p. 1.

## Economic Development Consultative Groups

- 3.133 EDCGs were established with the appointment of members occurring in May 2009. Two EDCGs operate in the IOTs, one for Christmas Island and another for the Cocos (Keeling) Islands. The purpose of EDCGs is to provide a forum for advice and feedback on economic development issues relevant to the IOTs communities.
- 3.134 The Christmas Island EDCG has 7 members and the Cocos (Keeling) Islands EDCG has 5 members. Members were appointed by the Minister for Home Affairs after an AGD process of drafting a terms of reference for the EDCG and calling for expressions of interest from the IOTs communities.
- 3.135 Appointments to the EDCGs are for two years and membership consists of 'a cross-section of people who have an interest and a broad involvement relevant to economic development.' The contribution of members is provided on a voluntary basis.<sup>131</sup>
- 3.136 Prior to the establishment of EDCGs, consultation on similar matters was provided through Economic Development Advisory Groups (Advisory Groups). These Advisory Groups are incorporated bodies and are still eligible to apply for economic development funding. A number of people are members of both the Advisory Groups and the EDCGs.<sup>132</sup>
- 3.137 EDCGs are not incorporated bodies and their terms of reference provide they must meet a minimum of three times annually, in addition to an annual combined meeting of the Christmas Island and Cocos (Keeling) Islands EDCG. The EDCG is chaired by the Administrator of the IOTs with the EDO facilitating operation through secretariat and liaison support.<sup>133</sup>
- 3.138 EDCG's have recently workshopped a 'strategic plan [which] could assist in decision making on the allocation of resources and be aligned with the shires' future plans and those of the Commonwealth. These strategies may also 'help to strengthen and provide further direction to some of the service delivery arrangements and provide assistance for industry and private investors.'<sup>134</sup>

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131 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 4.

132 Attorney-General's Department, Mr Julian Yates and Mr Simon Millcock, *Transcript T3*, p. 8.

133 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 4.

134 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 4.



- 3.139 The strategic development plan includes the following initiatives:
- a 12 month workshop program focused on small business including providing advice on writing grant applications, business planning, marketing, event management and an entrepreneurial and leadership program
  - joint funding for a horticultural feasibility study for the IOTs<sup>135</sup> and research and development for aquaculture.<sup>136</sup>

### Role of the Economic Development Officer

- 3.140 The EDO coordinates operation of the EDCGs. The role of the EDO was established in December 2008 and ‘centres on improving [existing] capacity, the transfer of skills and the identification and development of economic opportunities’ for Government agencies, community groups, businesses and individuals.<sup>137</sup>
- 3.141 Of his role, the EDO stated:
- My role as the economic development officer is to provide advice and assistance to organisations and individuals seeking grant funding for economic development. I work with stakeholders to develop and implement a strategic vision and plan for sustainable economic development, which is building on existing plans and reports.<sup>138</sup>
- 3.142 The EDO takes a leading role in ‘developing recommendations for a long-term structure for economic development and provides on island support to the economic [development] funding program, whilst ... providing input to policies and programs to the Attorney-General’s Department relating to the’ IOTs.<sup>139</sup> The EDO also provides feedback to various government agencies where issues are identified as requiring attention.
- 3.143 In addition to facilitating the operation of the EDCG, every five to six weeks, the EDO meets with either the Chief Executive Officer or President of the Shire to report on the progress of work undertaken over the period.

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135 Attorney-General’s Department, Mr Simon Millcock, *Transcript T3*, p. 4.

136 Attorney-General’s Department, Mr Simon Millcock, *Transcript T3*, p. 12.

137 Attorney-General’s Department, Mr Simon Millcock, *Transcript T3*, p. 3.

138 Attorney-General’s Department, Mr Simon Millcock, *Transcript T3*, p. 3.

139 Attorney-General’s Department, Mr Simon Millcock, *Transcript T3*, p. 3.

- 3.144 The EDO elaborated on his liaison role and stated that his role is also to provide feedback to various Government agencies where issues are identified as requiring attention.
- 3.145 In providing assistance to local businesses and building capability, the EDO stated that his role was to provide business with a more strategic focus on future projects.<sup>140</sup>
- 3.146 Mr Ron Grant endorsed the appointment of an EDO<sup>141</sup> and noted the importance of being able to work closely with the EDO to tie together economic development activities for both Christmas Island the Cocos (Keeling) Islands.<sup>142</sup>
- 3.147 The Shire of Christmas Island noted the value of having an EDO, but expressed a desire to have a policy officer with a similar role that is employed by the Shire. Mr Thompson stated:

We just do not have the capacity – the staff, the people power to develop the plans that I think we need for this community. I would love to have some funding from the Commonwealth to employ one or two policy type-officers, directly at the shire, who are responsive to the community and who are guided by the community. Our economic development officer, who has been appointed in the last 12 months, is a very valuable asset to the community but unfortunately he is under the department.<sup>143</sup>

### Grant application and approval process

- 3.148 The economic development funding program allocates \$75 000 per annum for each of the IOTs for community initiatives with the potential to improve economic sustainability.
- 3.149 The process of applying for a grant under the economic development funding program was outlined by the EDO as:
- ... an application will be developed, and normally that will be done in consultation with me, and from there the application then has some recommendations; it is forwarded to the consultative groups for input. And the administrator will place some comments on that as well. That is then forwarded to the department, and currently that goes to our Territories office in

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140 Attorney-General's Department, Mr Simon Millcock *Transcript T3*, p. 3.

141 Mr Ron Grant, *Submission 20*, p. 62.

142 Mr Ron Grant, *Transcript T5*, p. 17.

143 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 20.

Perth. From there it would be forwarded to the Minister [in Canberra] for his decision.<sup>144</sup>

- 3.150 CICC raised the issue of the highly bureaucratic nature of applying for grants and stated:

... perhaps we could have a look at something like the economic development committee in its initial stage, which had a fund, I think, of \$75,000 per island per year. Both of those ventures failed, simply because of – once again – the level of bureaucracy required to obtain funding for anything. I think the last form that we looked at in the economic development committee was something like 40 pages long. If you wanted to apply for \$3,000 you had to fill in a 40-page report, which is absolutely ridiculous in anyone's language.<sup>145</sup>

- 3.151 CICC advocated streamlining the grant approval process relating to the \$75 000 available under the economic development funding program and delegating the authority to make grant approvals to the IOTs Administrator. CICC stated:

This is the type of power that the administrator should have: to commit funds, to spend money. Certainly \$75,000 is not even worth considering. I do not know what the Attorney-General's budget for Christmas and Cocos (Keeling) Islands is, but it must be significant. Given an intelligent process and an intelligent system of devolving that power to the administrator, there is certainly very good opportunity to reduce the level of bureaucracy that all islanders have to put up with at the moment.<sup>146</sup>

- 3.152 On the suggestion of providing the direct funding of \$75 000 currently available under the economic development funding program to EDCGs for discretionary approval, similar to the authority resting with city councils, AGD stated:

An advantage for the councils, I might note there, is that they have good governance structures and audit processes to manage that. As you know, we have quite a significant process where we give quite considerable funding to both the shires, and they have the administrative and governance processes behind that. But what we were trying to achieve with the consultative groups was a straightforward system that did not put a significant

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144 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 9.

145 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 44.

146 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 44.

administrative workload on volunteers – so that they could add value by assisting businesses in the community build their capability and give us, and hence the Minister, advice on what the community view was on the various development proposals – without making it a decision-making body with all of the governance processes that you need behind that.<sup>147</sup>

## Role of the Shire Councils

3.153 The *Local Government Act 1995* (WA), requires IOTs Shires to prepare a plan for the future which is tied to the annual Budget. In accordance with this requirement, the Shire of Christmas Island has developed the *Plan for the Future 2007-2011*. In addition, the Shire of Christmas Island has developed its own Strategic Plan and a Local Planning Strategy. The Shire of Cocos (Keeling) Islands has developed the *Vision 2010* planning document.

## Christmas Island

3.154 The Shire of Christmas Island's *Plan for the future 2007-2011* (the plan) 'provides an overview of the major activities and projects that the shire plans to undertake' over a four year period. The plan provides for a description of the proposed principle future activities for a minimum of two financial years; an explanation of their purpose; their cost; how performance will be assessed; and the impact on the total estimated income and expenditure for each year affected by the plan.<sup>148</sup>

3.155 The plan builds on the Shire's *Strategic Plan 2002-2006* which includes a focus on the economic environment.

3.156 The Shire's strategic plan provides that the role of the Shire Council in terms of economic development and moving towards sustainability is to:

... provide leadership and direction, working with the Commonwealth Government, businesses and community to achieve a secure and prosperous future for the people of Christmas Island.<sup>149</sup>

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147 Attorney-General's Department, Mr Julian Yates, *Transcript T3*, pp 9-10.

148 Shire of Christmas Island, 1 July 2007 to 30 June 2011, *Plan for the future*, Shire of Christmas Island, Christmas Island, p. 4.

149 Shire of Christmas Island, 2002-2006, *Strategic Plan*, Shire of Christmas Island, Christmas Island, p. 20.

3.157 By working closely with the Commonwealth and WA Governments, the Shire of Christmas Island outlined that its objectives in regard to the economic environment are to:

- harness the unique, distinctive and competitive features of Christmas Island, and the ingenuity and resources of the local people, in order to achieve economic growth
- create opportunities and incentives for business growth, investment and employment
- encourage a wide range of education, training and development opportunities for local people in order to build the Island's knowledge base, skills and expertise
- develop the overall self-sustainability of the Island and the Shire.<sup>150</sup>

### Cocos (Keeling) Islands

3.158 Over the past five years, the Shire of the Cocos (Keeling) Islands has participated in economic development through investing in local infrastructure and is now in the process of developing a new strategic plan that will span the next decade.<sup>151</sup>

3.159 In regard to investment in local infrastructure, the Shire of Cocos (Keeling) Islands stated:

Over the past five years, the shire has been able to construct and purchase capital assets to the value of \$5.9 million with assistance from grant funding. The major items have been \$1.2 million for road and other infrastructure, \$970,000 for the Home Island community centre and \$514,000 to construct two additional houses on Home Island.<sup>152</sup>

3.160 The new strategic document, which will follow on from the current *Vision 2010* document, is focused on developing economic sustainability within the local economy and improving future employment opportunities for Cocos (Keeling) Islands residents.<sup>153</sup>

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150 Shire of Christmas Island, 2002-2006, *Strategic Plan*, Shire of Christmas Island, Christmas Island p. 20.

151 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 2.

152 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 2.

153 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 9.

- 3.161 The strategic plan is being developed through community consultation to 'achieve an idea of the whole community's needs and how goals can be set for areas that are most cared about.'<sup>154</sup>

## Conclusions

- 3.162 The Economic Development Officer (EDO) is an officer of the Attorney-General's Department (AGD) and works in line with accepted departmental policy and procedure to improve the capacity, transfer of skills and the identification and development of economic opportunities for Government agencies, community groups, businesses and individuals in the Indian Ocean Territories (IOTs). The EDO shares his time between Christmas Island and the Cocos (Keeling) Islands and also acts as a liaison between Government agencies, community groups and individuals.
- 3.163 The committee believes economic development could be further assisted at the local level through the creation of similar positions as the EDO located within the Shires. This could serve to empower and inform community organisations and individuals to participate in and have greater access to advice about economic development at the local level. This could also complement Shires' initiatives to seek ways to improve incentives for economic development.
- 3.164 Evidence received draws attention to the bureaucratic obstacles presented to individuals and organisations applying for grant funding under the Economic Development Funding Program. The grant application process involves completion of a lengthy form in consultation with the EDO. The application is then forwarded to the Economic Development Consultative Groups (EDCGs) for input and recommendations. The Administrator also has the opportunity to comment on the application. From there, the application is forwarded to AGD in Perth and then to the Minister in Canberra.
- 3.165 While the committee supports making grant funding available to the IOTs for economic development initiatives, the committee suggests the process should be reviewed with the aim of streamlining the application process.
- 3.166 The Economic Development Funding Program allocates \$75 000 per annum for each of the IOTs. In 2008-2009, the smallest amount approved under the grant was \$8500 for both IOTs and the largest amount, \$43 500 for Christmas Island and \$32 500 for the Cocos (Keeling) Islands.

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154 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 2.

- 3.167 EDCGs provide input at the local level about whether funding for particular projects is advisable. EDCGs are not incorporated bodies and can not apply for economic development funding. Rather EDCGs were established to inform the Government's grant approval process. Previously to the EDCGs establishment, incorporated advisory bodies had a similar role. EDCGs have effectively replaced the previously incorporated IOTs advisory bodies with some membership shared between EDCGs and the previous advisory bodies. The committee believes it would be more practical to have only one group representing each of the IOTs for consultation purposes and suggests that the former advisory bodies should be dissolved.
- 3.168 Decisions about where funding is required to stimulate economic development can best be achieved at the local level and should not be unnecessarily hampered by excessive bureaucratic grant approval processes. For funding provided under the Economic Development Funding Program, it may be more practical and appropriate for the EDCG to be delegated discretionary grant approval authority. This could allow for an administratively streamlined grant application and approval process.
- 3.169 The Economic Development Funding Program is aimed at promoting economic development initiatives, to increase employment opportunities, improve skills, infrastructure upgrade and increase community capacity towards economic sustainability. While the committee agrees the economic development funding program has merit, it is overly ambitious in what it seeks to achieve with the limited funds available under it of \$75 000 per annum for each of the IOTs. The committee proposes this amount be doubled to \$150 000 per annum for each of the IOTs.
- 3.170 The committee supports the Government's \$50 million infrastructure funding package for Christmas Island which will provide for: additional resources for improved education and health services, the upgrade of local waste water treatment infrastructure and power supply, investigations into the feasibility of lengthening the wharf at Flying Fish Cove and sealing the road to North West Point.
- 3.171 The committee believes sealing of the road to North West Point is an important and long awaited addition to Christmas Island's infrastructure. Once completed, it is expected the sealed road would stop further degradation to the existing surrounding landscape as enhance road user safety. The committee therefore suggests that once the feasibility study for the road is complete, that funds be provided without delay for the upgrade of the road to commence.

**Recommendation 8**

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**

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**

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**

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**

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.



## Effectiveness of managing tenders and handling administrative complaints

- 3.177 Potential developers and business investors raised a number of issues regarding the complex bureaucratic nature of submitting and seeing through grant applications, tenders and applications for licences and generally dealing with various levels of government. The discussion that follows outlines claimed time delay and cost implications that complex bureaucracy presents for investors and business development.

### Christmas Island

- 3.178 Where grant applications are concerned, CICC made the point:

Nowhere in Australia is any community likewise encumbered with processes of this nature, where a simple application commences in the WA Government system, evolves to Christmas Island Administration, then to Perth AG Department and finally to Canberra for approval. In any of these various stops, this funding can be rejected for reasons unknown.<sup>155</sup>

- 3.179 Mr John Sorensen whose company has been engaged in various development projects on Christmas Island since 1988, outlined his concerns in dealing with the local bureaucracy and advocated that 'professional people in government positions (local or Federal) are essential'.<sup>156</sup>
- 3.180 Further, Mr Sorensen advised his current 'development is now on hold due to alleged unprofessional conduct by an individual and the local authority. We are informed to expect months of waiting while investigations of submissions and a possible appeal take its course.'<sup>157</sup>
- 3.181 The Christmas Island Tourism Association (CITA) advocated receiving feedback following community consultation and stated:
- ... there are a number of obstacles from people who have been in the territories office for many, many years. It seems that they feel they know what is best for us. We go through a process of consultation; however, the results of our input are very rarely seen. In simple terms that probably would be the start. Our feedback should be listened to. If the result is that there will be a decision that is not in line with our feedback, we should be told

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155 Christmas Island Chamber of Commerce, *Submission 19*, p. 3.

156 Mr John Sorensen, *Submission 2*, p. 4.

157 Mr John Sorensen, *Submission 2*, p. 4.

why. At the moment we go through the consultation process, things happen differently to what we thought would happen, but nobody explains to use why. That would be a start.<sup>158</sup>

### Cocos (Keeling) Islands

3.182 In regard to grant applications, Mr John Clunies-Ross commented on the need for the Government to have a flexible and targeted approach for grant funding for the IOTs and stated:

There is no culture of fostering economic development. When you go for a specific grant – design packaging or something like that – we have to squeeze Cocos and Christmas islands into the narrow economic focus of the Western Australian problems, because the grants have to be parallel with them. But we have totally different issues. We pay WA state taxes and we get these WA state grants but they do not suit us. When I say, ‘I need this,’ they say, ‘Can it fit into any of these? When I say no, they say, ‘Then you’re not getting any money.’ So we need a lot more flexible approach. If we want to give grants for business development, they have to be a lot more flexible and they have to be targeted to the Territories.<sup>159</sup>

3.183 Mr Nyall Ledger outlined the problems he has encountered with various levels of bureaucracy in attempting to apply for a licence for bech-de-mer fishing from the WA Department of Fisheries. Mr Ledger stated:

I applied for a fishing licence for the Cocos (Keeling) Islands in 2004. I was granted an exemption by... the Western Australian Department of Fisheries. A consultancy was to take place and apologies for the time span given for the delays in granting the exemption. Since then nothing has happened. Everything has slowed down. The director of commercial fisheries does not send emails. He does things verbally. When anything is sent, it is sent through the resource manager in a delayed format. Last year, to get the report that took nearly two years to be done by WA fisheries, I had to go through freedom of information. I actually got to talk to the fisheries director that was relieving last year, and when he found out what was going on he straightaway called for an inquiry.<sup>160</sup>

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158 Christmas Island Tourism Association, Mr Micheal Asims, *Transcript T4*, p. 84.

159 Mr John Clunies-Ross, *Transcript T5*, p. 30.

160 Mr Nyall Ledger, *Transcript T6*, p. 10.

- 3.184 Mr Ledger stated the WA Department of Fisheries ‘appears to [have] no formal monitoring system [on] the progress of projects. In regard to AGD, Mr Ledger was of the view ‘there was no appreciation of the importance of the timeframe for advancing projects that will result in economic and social benefits for the community.’<sup>161</sup>
- 3.185 Mr Ledger advised that his business, when established, would generate about six full time positions, and between 30 and 40 part time positions.<sup>162</sup>
- 3.186 Mr John Clunies-Ross highlighted the issues associated with dealing with bureaucracy experienced by commercial fishers operating from the Cocos (Keeling) Islands and stated:

Commercial fishermen are under increasing pressure in the mainland to stamp out unsustainable fishery practices. This has led to a culture of confrontation between the industry and their regulators. This is as true in WA as anywhere else. This culture has been imported into Cocos. There are glaring errors in the optional regulations already put in place. Hermit crab, blue lipped clams and gong gongs are punitively regulated, to such a degree that the regulations are ignored in their entirety. None are in any real danger of extinction or even shortage. Attempts to diversify our aqua-fishery into coral harvest are bogged down into the fifth year (I think), and is held up because of issues in WA not Cocos.<sup>163</sup>

- 3.187 Mr Clunies-Ross gave a further example of high levels of regulation not being appropriate for the way in which businesses operate on the Cocos (Keeling) Islands and therefore hindering market development. Mr Clunies-Ross gave the following example:

We could market reef fish from here to Christmas Island, but it is banned; we have what they call an unmanaged fishery and we are not allowed a commercial fishery. They will just not listen to us. Even if we employed two people, 100 kilos on the week on the plane to Christmas Island with whole reef fish, the Chinese there love it. At the moment they are flying it in from Indonesia and Malaysia. We can do the same from here but it is just too ... hard. The costs: \$150 for the boat to be licensed. You have to have a fishing licence, someone cannot go in your boat and do it for you because they would have to have a fishing licence too. A licence is

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161 Mr Nyall Ledger, *Submission 11*, p. 9.

162 Mr Nyall Ledger, *Transcript T6*, p. 12.

163 Mr John Clunies-Ross, *Submission 7*, p. 4.

not just held by a family; each individual who gets in the boat has to have a licence as well. It is craziness.<sup>164</sup>

- 3.188 Mr Ron Grant was concerned about how the Shire of Cocos (Keeling) Islands has handled tenders and applications for various proposed developments. Mr Grant noted the potential investment from as yet unrealised projects is approximately \$30 million, with the potential to create around 77 jobs with an annual income to the Shire of \$365 737.<sup>165</sup>
- 3.189 Mr Grant raised the issue that the Shire of Cocos (Keeling) Islands is not proactive in its consideration of development tender applications and highlighted the issues experienced by potential investors. Mr Grant stated:

The Pulu Cocos Resort project of my own family company ... has been a very long, dragged out process which I personally find totally unacceptable. ... Other people have put in proposals. For example, on the Cocos Farm site we have had the Trannies Beach expression of interest. At the end of the day, your success as a council, when you own six-sevenths of the land, is going to be measured by the amount of investment you attract, the jobs you create, the additional income you raise through lease or rates and small business opportunities. ... If you do not measure up, people start leaving and that is exactly what is happening. Families are leaving Cocos because of social and economic pressures.<sup>166</sup>

- 3.190 Mr Grant further stated that in the last two years no proposals have been approved despite there being at least six applications for development lodged.<sup>167</sup>
- 3.191 AGD advised the Shire of Cocos (Keeling) Islands owns the land that it is offering for potential development and as such AGD has provided technical support to the Shire of Cocos (Keeling) Islands in assessing tender applications. In regard to the applications for Trannies Beach AGD stated:

The shire went out to market for this last year. It was unable to get any satisfactory responses. The timing was unfortunate in that the global financial crisis occurred not long after they went out to tender. That was unforeseen. The shire, I understand, is intending to go out to market again. We have provided them with technical

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164 Mr John Clunies-Ross, *Transcript T5*, p. 34.

165 Mr Ron Grant, *Submission 20*, p. 17.

166 Mr Ron Grant, *Transcript T5*, p. 18.

167 Mr Ron Grant, *Transcript T5*, p. 20.

assistance to help them with the processes of developing that sort of approach to the market.<sup>168</sup>

- 3.192 The Shire of Cocos (Keeling) Islands commented generally about complaint resolution and stated:

Some issues get dealt with quite well and quite quickly but then there are other areas – anything that is involved with any of the uniquenesses of the islands – that tend to be handed around the place because no-one really knows the answer or is willing to give an answer on it. All sorts of things and issues that we start trying to sort out at the shire tend to open a can of worms. You start looking at something and you think it is going to be easily fixed but then there is no direct conclusion because it has not been thought of before and no-one really has the answer. We came up against one just recently where we wanted to sort out our archives. We do not come under the state records act, and from talking to people in Canberra it was discovered that our records are really Commonwealth records. But I am sure the Commonwealth do not want all of our boxes sent over, so how do we deal with them?<sup>169</sup>

## Administrative complaints mechanisms

- 3.193 Under the Public Sector Commissioner's Circular 2009-27, WA Government agencies are required to have a complaints management system which conforms to the Australian Standard on Complaints Handling (AS ISO 10002).<sup>170</sup>
- 3.194 In regard to mechanisms for handling complaints from the IOTs, the Ombudsman of Western Australia advised complaints should first be brought to the attention of the department or agency by the complainant. Where an agency is unable to resolve a complaint, the complainant may have recourse to the Ombudsman or the right of review by a court or tribunal.<sup>171</sup>
- 3.195 The Commonwealth Ombudsman advised the Ombudsman Act 'expressly precludes the Ombudsman from investigating actions taken by WA officials on Christmas Island and the Cocos (Keeling) Islands under WA laws that apply as Commonwealth laws. The WA Parliamentary Commissioner for Administrative Investigations performs the

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168 Attorney-General's Department, Mr Julian Yates, *Transcript T1*, p. 8.

169 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 8.

170 Ombudsman Western Australia, *Submission 33*, p. 2.

171 Ombudsman Western Australia, *Submission 33*, p. 2.

ombudsman function in relation to such matters.<sup>172</sup> The Commonwealth Ombudsman has jurisdiction in regard to actions taken by Commonwealth agencies in the IOTs.<sup>173</sup>

3.196 Mr John Sorensen stated he believed taking his case to the Commonwealth Ombudsman would be a 'waste of time'. Mr John Sorensen stated:

... to lodge it with the Ombudsman would probably be another couple of years of red tape and new evidence and what have you. I have reached the conclusion after corresponding with Government and public servants ... and in short, the Commonwealth Government ... should be ashamed and embarrassed for taking advantage of their powerful position against a small business person.<sup>174</sup>

3.197 Mr Nyall Ledger stated he had approached the WA Ombudsman, but was advised that he first needed to speak with the agency with which he had been dealing. Mr Nyall Ledger advised that he had contacted the agency on several occasions and received no response.<sup>175</sup>

## Conclusions

3.198 Potential investors have raised concerns about their dealings with various levels of Indian Ocean Territories (IOTs) bureaucracy in regard to attempting to establish business or develop infrastructure.

3.199 Evidence received demonstrates there is moderate investor interest in the IOTs, but that high levels of bureaucracy at the local level are acting as a deterrent to further economic development. In particular, on Christmas Island one investor has had continuing concerns about the conduct of Government officials in regard to development applications, while on the Cocos (Keeling) Islands, the proposed resort at Trannies Beach received investor interest, but after a considerable time, the tender has not been awarded.

3.200 A significant amount of investment and the potential for creating opportunities for economic development through diversification may be lost if potential investors lose interest as a result of overly bureaucratic processes or an unresponsiveness from Government officials.

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172 Commonwealth Ombudsman, *Submission 34*, p. 1.

173 Commonwealth Ombudsman, *Submission 34*, p. 1.

174 Mr John Sorensen, *Transcript T6*, p. 15.

175 Mr Nyall Ledger, *Transcript T6*, p. 12.

- 3.201 A greater level of transparency and accountability may be required at all levels of bureaucracy to address the issues highlighted by potential investors to the IOTs. In addition, a robust and practical complaints handling mechanism at the local level would assist in informing complainants of their rights and obligations and provide a formal mechanism to address complaints through a timely and efficient process.

### **Recommendation 13**

- 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.**





## **Emerging industries**

### **Introduction**

- 4.1 Identifying emerging industries for the Indian Ocean Territories (IOTs) economies with the potential for economic growth is being considered through various mechanisms at both the federal and local levels. There is recognition that in both IOTs economies, tourism has the potential to grow and emerge as a sustainable industry, creating a stable economic base from which other industries could emerge.
- 4.2 The long term, economy-wide impact of establishing sustainable industries for the IOTs would be an improvement in economic diversity which would have the effect of creating new employment opportunities. Over time, development of self sustaining economies would lead to improvements in the standard of living and lessen the reliance on government funding. More self-sustaining economies could also be expected to have a stabilising effect on the IOTs populations.
- 4.3 However, future measures implemented to assist with industry development would need to be highly suitable to the economic, physical and social landscape of the IOTs.
- 4.4 This chapter examines evidence which canvases possible industries which have the potential to be grown and sustain the IOTs economies.

## Impact of the changing demographic

- 4.5 The changing demographic of the IOTs is an important consideration in developing strategies for new and existing industries with the aim of achieving sustainable economic growth.
- 4.6 Both the Shires of Christmas Island and Cocos (Keeling) Islands are aware of the negative impact on population of contractions to industry and static economic growth. In particular, both shires have highlighted the concerns they have in regard to youth leaving the IOTs and the concurrent increase in the remaining ageing populations.
- 4.7 The Attorney-General's Department (AGD) stated 'anecdotal evidence suggests the Christmas Island population may now be somewhat lower than that reported in the 2006 Census, while the population of the Cocos (Keeling) Islands has remained stable.'<sup>1</sup>
- 4.8 In this respect, the Shire of Christmas Island commented on the need to build a diverse, robust economy to retain its youth and lessen the decrease in population. The Shire of Christmas Island stated:

We cannot be restricted to mining and tourism if we want to plan a real future for Christmas Island which will absorb the skills and the professional development of young people on Christmas Island, or young people we hope to bring back to Christmas Island to work, to build our community without people, rather than see the drain that is occurring now in the younger generation, particularly the generation that pursues higher education and never comes back. So this is a central issue.<sup>2</sup>

- 4.9 The Shire of Cocos (Keeling) Islands stated that it is strategically examining its demographic with a view to retaining its younger population through targeted youth employment measures. The Shire of Cocos (Keeling) Islands stated:

...part of what the shire is doing as well is trying to look at the youth – and also the aged, but more so the youth – is in regard to unemployment and trying to find a balance. There is no point in skilling people up if there are no jobs to actually employ them, but we want to get people out into the workplace and get them active

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1 Attorney-General's Department, *Submission 15*, p. 3.

2 Shire of Christmas Island, Mr Gordon Thompson, *Transcript T4*, p. 2.

rather than have the young ones who have not been able to get a job getting used to not having a job.<sup>3</sup>

4.10 The AGD sponsored report on the economy of the IOTs found persons in younger age groups are leaving the islands to pursue educational opportunities or because of a general desire to experience the wider world. Persons in the older working-age groups are leaving the islands to seek further education and other employment options not available in the IOTs.<sup>4</sup>

4.11 In regard to aged care, the Shire of Cocos (Keeling) Islands explained that aged persons are cared for within the family structure. Further, the Shire of Cocos (Keeling) Islands commented on its recent assessment of aged care needs and stated:

The manager of Indian Ocean Territories Health Services (IOTsHS) was here recently and had quite a few discussions with families regarding the care of the aged. The manager of IOTsHS comes from a background of aged care and recognises that a facility here would not benefit, because of the structure. People would not be as happy there as they are in their home.<sup>5</sup>

4.12 The Christmas Island Chamber of Commerce (CICC) commented on the Shire of Christmas Island's capacity to care for its ageing population into the future and stated:

Given the increase in senior members on the island and the natural fact that we are not keeping young people on the island, we will have a continuing increase in the ageing population. I do not believe that the shire will have the capacity to handle that by itself. Certainly, the facilities that are available, even given the excellent job that the shire does, are restricted. I believe the health care facilities are virtually non-existent for palliative care and that type of thing.<sup>6</sup>

4.13 Mr Ron Grant explained the negative impact a declining population could have on the Cocos (Keeling) Islands' economy. Mr Grant advocated reducing the economy's reliance on Government funding as a solution to developing the economy and stated:

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3 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 9.

4 ACIL Tasman, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, September 2008, p. 8.

5 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 11.

6 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 49.

Although the government is pouring in money, the economy is not developing. You are going to come to a stage where your population just keeps dropping and dropping. It is not unique on Cocos; there are many rural areas in Australia which have the same problem. But, slowly and surely, as your population gets older they cannot afford to maintain houses, there is less population, the cost of services and goods goes up. It is a vicious cycle. So we have to get away from this 'dependent upon the government for the provision of goods and services or on Centrelink benefits'. Even though it is small scale, we must start driving it.<sup>7</sup>

- 4.14 The Cocos Congress put the view that 'increases to accommodation and infrastructure and retaining services are [the] keys to [Cocos (Keeling) Islands'] ability to increase or maintain [its] population.'<sup>8</sup>

## Potential new growth industries

- 4.15 Suggestions for potential industry growth areas for Christmas Island included:

- tourism and ecotourism<sup>9</sup>
- education services and partnerships<sup>10</sup>
- agriculture through co-operative farming<sup>11</sup>
- renewable energy<sup>12</sup>
- exporting health services<sup>13</sup>
- large scale social capital ventures<sup>14</sup>
- an international scientific research station<sup>15</sup>

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7 Mr Ron Grant, Transcript T5, p. 21.

8 Cocos Congress Inc., *Submission 25*, p. 2.

9 Ms Dee Margets and Dr Nic Dunlop, *Submission 10*, p. 2; Christmas Island Phosphates, *Submission 6*, p. 2.

10 Mr John Sorensen, *Submission 2*, p. 4; Ms Dee Margets and Dr Nic Dunlop, *Submission 10*, p. 2.

11 Mrs R Peter, *Submission 12*, p. 2.

12 Mrs R Peter, *Submission 12*, p. 2; Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, pp 26-27.

13 Ms Dee Margets and Dr Nic Dunlop, *Submission 10*, p. 2.

14 Shire of Christmas Island, *Submission 24*, p. 10.

15 Ms Dee Margets and Dr Nic Dunlop, *Submission 10*, p. 2.

- a marine research facility<sup>16</sup>
  - conference tourism.<sup>17</sup>
- 4.16 Suggestions for potential industry growth areas for the Cocos (Keeling) Islands included:
- tourism<sup>18</sup>
  - aquaculture and agriculture (including hydroponics).<sup>19</sup>
- 4.17 Mr Ron Grant advocated a strategic approach to identifying sustainable industries for development and stated:
- ... although tourism has been identified, there really needs to be a good, hard look at other areas also. We are not talking about a large increase in employment; we are talking 20, 30, 40 people, which would make a huge increase to the social life of Cocos. ... Really, we need to sit back and look at those areas that we can develop, which include tourism, marine resources and land resources.<sup>20</sup>

## Identifying niche markets

- 4.18 The majority of suggestions put forward for new growth industries incorporates the unique natural and economic characteristics of the IOTs. Identifying and exploiting niche markets such as the ecotourism market was put forward as a solution for creating economic growth for both IOTs economies.
- 4.19 The Shire of Christmas Island commented that 'there is a definite perception that people want it [Christmas Island] to be a tourism destination and particularly a niche tourism destination.'<sup>21</sup>
- 4.20 Dr Nic Dunlop elaborated on the idea of establishing Christmas Island as a niche tourism destination and stated:

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16 Mr John Sorensen, *Submission 2*, p. 4.

17 Ms Dee Margets and Dr Nic Dunlop, *Submission 10*, p. 2.

18 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3; Cocos Congress Inc., *Submission 25*, p. 3; Mr Raymond Marshall, *Transcript T5*, p. 47.

19 Cocos Congress Inc., *Submission 25*, p. 3; Mr Ron Grant, *Transcript T5*, p. 24.

20 Mr Ron Grant, *Transcript T5*, p. 16.

21 Shire of Christmas Island, Mr Gordon Thompson, *Transcript T4*, p. 56.

... we are talking about not one niche market but many small niche markets. It is not going to be equivalent to Bali, where it is about shopping and going to the beach. It is about targeting your markets for specific resources that Christmas Island offers.<sup>22</sup>

- 4.21 Mr Ron Grant advocated a targeted approach to identifying sustainable industries for the Cocos (Keeling) Islands, with a focus on niche markets in South East Asia. Mr Grant stated:

Once you can identify what your economic segments are going to be, you have got to identify your market and that is absolutely critical. From a personal point of view, the market has got to be South-East Asia. South-East Asia has got about 300 million people; Western Australia has got about two million. South-East Asia has far more areas of access internationally than Perth does. So the logic is to try and target South-East Asia for services or products which are niche markets that can be sustained.<sup>23</sup>

## **Tourism (including ecotourism)**

- 4.22 The IOTs tourism industry is still in its early stages of development. Tourism is the preferred industry for further development in the IOTs because it is considered to offer the 'greatest potential for economic growth'<sup>24</sup> and is expected to have a positive flow-on effect for local business development.
- 4.23 Developing the IOTs tourism industry presents challenges in respect to promoting and marketing the IOTs as a tourist destination. In addition, there are the accompanying industry development issues of: upgrading and developing tourism infrastructure, and improving accessibility of the IOTs to a larger market by lowering airfares and improving the frequency of flights.
- 4.24 Tourism on Christmas Island and the Cocos (Keeling) Islands is lagging in respect to the other Indian Ocean communities of Andaman Islands, the Maldives, Seychelles, Mauritius and Reunion Island.<sup>25</sup>

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22 Dr Nic Dunlop, *Transcript T3*, p. 19.

23 Mr Ron Grant, *Transcript T5*, p. 16.

24 Attorney-General's Department, *Submission 15*, p. 7.

25 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 77.

- 4.25 The Christmas Island Tourism Association (CITA) was of the view that with appropriate investment and planning towards destination marketing for breaking into new markets that it would take at least two and a half years before tourism would begin to expand and provide returns.<sup>26</sup>
- 4.26 Understanding the impacts that a vibrant tourism industry would impose on the natural environment is seen as vital to future tourism planning. In regard to ecotourism, the degradation on the natural environment of an increased tourism industry is of concern. It could be argued that increasing tourism or creating a market for mass volume tourism could in time deteriorate natural resources and so lessen the overall tourist experience.

## Developing the tourism industry

### Christmas Island

- 4.27 The Christmas Island tourism industry consists of a number of small businesses which are supported by the Government funded CITA.<sup>27</sup>
- 4.28 The tourism industry on Christmas Island is centred on nature-based activities and the island's cultural heritage, with the major tourist attraction the annual migration of red crabs. Other nature-based activities include: boating, diving and fishing tours, snorkelling, sightseeing, and bird watching tours.<sup>28</sup>
- 4.29 Tourism infrastructure includes: walking and driving tracks and viewing platforms, boardwalks and camping sites throughout the national park. Accommodation capacity is 150 rooms at the two or three star level, with most accommodation located in the civic centre of Christmas Island.<sup>29</sup>
- 4.30 CITA commented on its concerns about issues hindering the operation of the current tourism market for Christmas Island. In particular, CITA drew attention to the following:
- Flights to the IOTs are very expensive and can not compete with other cheaper destinations offering similar or better tourist experiences.

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26 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 83.

27 Christmas Island Tourism Association, Mr Bill Tatchell, *Transcript T4*, p. 79.

28 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 19.

29 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 19.

- There is limited tourism promotion and marketing.
- Christmas Island's capacity to generate tourism revenue is negatively affected by people who set up business with the sole aim of seeking a 'sea change'.
- There is no land release and land development plan in place.
- Airport immigration facilities are not adequate.
- There are a limited number of hire cars.<sup>30</sup>
- No economic modelling or social impact studies have been undertaken in regard to the economic impact of the Christmas Island Reception and Processing Centre.
- Limited access to broadband internet services and the inability to subsequently partake in e-commerce.
- There is no Destination Management Strategic Plan in place.<sup>31</sup>

4.31 Dr Nic Dunlop commented on how deterioration of the natural environment would have a negative impact on tourism. Dr Nic Dunlop stated:

Another significant issue with the tourism industry on the island is what is now a fairly rapid decline in environmental quality which is occurring on the island. Some of you may be aware that one of the island's mammals, a small bat, changed in status from 'critically endangered' to 'presumed extinct' last week, which somewhat ironically was Threatened Species Week. There are a number of other serious threats now active in the Christmas Island environment – certainly terrestrially and possibly also in the marine environment – related to climate change which mean that the quality of the island experience is under threat. Whilst that is a threat for conservation, it is also a threat to the tourism future of the island.<sup>32</sup>

4.32 Dr Dunlop noted the importance of preserving the natural environment not only for its intrinsic value, but also in regard to tourism and stated:

In terms of the island's reputation for tourism, Attenborough reckoned that the red crab migration was one of the greatest spectacles he had ever seen and he was probably right. So from a

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30 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 78.

31 Christmas Island Tourism Association, Mr Bill Tatchell, *Transcript T4*, p. 80.

32 Dr Nic Dunlop, *Transcript T3*, p. 16.



tourism point of view it is very important. The whole forest ecology hinges on the terrestrial species of crabs, and if we lose those then we can expect a very significant decline in environmental quality.<sup>33</sup>

- 4.33 Mrs R Peter also commented on the need to protect Christmas Island's natural environment because of the implications for tourism and stated:

The existing program of eradicating the Crazy Yellow Ants with biannual baiting must be continued straight away. This will safeguard the population of Red Crab which is the most important draw card for tourism. There must also be immediate effort to eradicate feral fowl, feral cats and giant African snails.<sup>34</sup>

- 4.34 The Shire of Christmas Island stated that it believes Christmas Island's tourism sector needs both mass volume tourism and ecotourism. The Shire of Christmas Island stated:

Some people in the tourism industry argue that ecotourism is the future; that we do not want volume tourism. I argue that we need both. The park represents a wonderful natural resource which, if it is kept intact, will be a source of ecotourism revenue forever, so it has very important economic value.<sup>35</sup>

- 4.35 The Shire of Christmas Island also suggested that duty free tourism and a visa waiver arrangement could attract tourism from Asia. Similar arrangements are in operation in Andorra, Jeju Island, South Korea and Guam, United States of America. In regard to the visa waiver arrangement scheme the Shire of Christmas Island stated:

During the era of the casino, Indonesian visitors, with sponsorship of the Resort were allowed to visit the island for up to five days without applying for a visa as long as they did not proceed to mainland Australia or the Cocos (Keeling) Islands. Now that the island is excised from the migration zone, it is less likely immigration complications could occur. This clause of the immigration regulations was only removed in 1999. Coupled with the duty free regime on the island, this would provide a great base for the island to develop an alternative and diverse economy.<sup>36</sup>

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33 Dr Nic Dunlop, *Transcript T3*, p. 21.

34 Mrs R Peter, *Submission 12*, p. 3.

35 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 26.

36 Shire of Christmas Island, *Submission 24*, p. 7.

- 4.36 The visa waiver arrangement would operate by allowing temporary international visitors to travel to Christmas Island, with onward travel to the mainland restricted. Upon arriving on Christmas Island, visitors would undergo immigration checks and then be eligible to be granted short stay visas. The Shire of Christmas Island explained:

The visitor would have to arrive on an aircraft which belongs to an airline that is signatory to the visa waiver scheme. They would be travelling only to Christmas Island. There would be no on-travel to mainland Australia. The visitor would have to satisfy any immigration department officials' concerns that their visit is for business or for pleasure and that there would be a restriction of time, perhaps three, five, 15 days, however long the tourism market requires to make that system work. But there would be those limitations. We would expect that there would be regulation by way of requiring people to have some sort of formal paperwork documentation and that anybody presenting for entry would have no right of appeal against any immigration officer's determination as to whether or not they should be allowed into Christmas Island. Of course, the issue of people coming to Christmas Island for the purpose of seeking asylum is dealt with. Christmas Island is excised from the migration zone and [there is no] intention of changing the legislation that excises Christmas Island from the migration zone. So those issues would not be of concern.<sup>37</sup>

- 4.37 Another suggestion to improve tourism was to reopen the Christmas Island casino. However, Christmas Island phosphates (CIP) stated that Singapore is receiving between \$10 and \$12 Billion investment to build some of the most advanced casinos in the world. Further, CIP was unsure how such a large investment so close to Christmas Island would impact on tourism to Christmas Island.<sup>38</sup>

- 4.38 CITA suggested Christmas Island's economy and community would benefit from business options which could generate cash flow in the same way the Christmas Island casino did and stated:

There are many, many options for the island, not only a casino licence. But based on what the casino did previously and the way it contributed to the economy and the community, if half of that happened again, it would be helpful.<sup>39</sup>

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37 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, pp 14-15.

38 Phosphate Resources Ltd., Mr Clive Brown, *Transcript T4*, pp 40-41.

39 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 85.

- 4.39 Another, more recent initiative to stimulate the tourism industry on Christmas Island was to encourage cruise ships to make transit stops. In anticipation of cruise ship visits, the Government provided funding of \$3.5 Million to upgrade the mooring system at Smith Point.<sup>40</sup>
- 4.40 CITA noted Smith Point is not the most appropriate place for a cruise ship to moor and stated:
- We need to remember that Smith Point, the location for the upgrade of the mooring facilities, might as well be on the other side of the island because it is not in Flying Fish Cove but rather next to the existing fuel tanks. No one on Christmas Island will be able to view a ship while it is moored there. Passengers will have a terrific view of the fuel tanks but not Flying Fish Cove. In reality, it is a refuelling facility for all shipping.<sup>41</sup>
- 4.41 On 23 December 2009, 1700 passengers from P&O's Pacific Sun cruise ship disembarked at the jetty at Flying Fish Cove for a day trip. Tourists were able to undertake tours, observe red crabs, snorkel and swim or go shopping. It was estimated the visiting cruise ship tourists injected around \$40 000 into the Christmas Island economy.<sup>42</sup>
- 4.42 Cruising grew by 54 percent in 2007-2008 contributing \$1.2 Billion to the national economy. Over the next decade, it is predicted the contribution of cruising will grow to \$3 Billion with passenger numbers expected to reach 1 Million.<sup>43</sup>

### **Cocos (Keeling) Islands**

- 4.43 The Cocos (Keeling) Islands Tourism Association promotes tourism on the islands. Similarly to Christmas Island, tourists are attracted to nature based activities, in addition to cultural and historical sites.<sup>44</sup>
- 4.44 Nature-based activities include: wind and kite surfing, diving, snorkelling, fishing and other water based activities. There are also multi-purpose

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40 Attorney-General's Department, Mr Julian Yates, *Transcript T3*, p. 3.

41 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 78.

42 Shire of Christmas Island, 8 January 2010, Issue no 448, *Tourists from the cruise ship descend on Christmas Island*, p. 1 and 19.

43 B O'Connor, (Minister for Home Affairs), *Christmas comes early for cruise ship passengers making first ever visit to Christmas Island*, media release, Parliament House, Canberra, 23 December 2009.

44 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 20.

tracks used for walking, cycling or accessing by car.<sup>45</sup> The accommodation capacity is approximately 100 rooms with varying ratings.<sup>46</sup>

- 4.45 The Shire of Cocos (Keeling) Islands commented on the tourism industry's growth potential and efforts being taken for further development through initiatives such as establishing a resort. The Shire of Cocos (Keeling) Islands stated:

... tourism has to be a viable thing before it will get off the ground. The council has been in discussion with the Commonwealth about a resort. That would provide some employment, though a bit of hospitality training would be required, which is not in place at the moment.<sup>47</sup>

### **Destination promotion and marketing and the price of airfares**

- 4.46 The absence of an active destination marketing and promotion strategy coupled with the current high price of airfares to the IOTs was identified as an area of concern because of the negative implications for growing the local tourism industries.
- 4.47 Without the ability to attract tourists to the IOTs, the demand for air passenger services to the IOTs can not increase, naturally serving to keep the price of airfares high and the number of available flights low.
- 4.48 CITA commented on the negative impact on tourism of high priced airfares and the limited availability of flights and stated:

In terms of tourism and air services, more needs to be done. More effort and more thought is needed from the key decision and policy makers. Those decisions would likely be more effective and meaningful if they included input from the community. There are few long term options for us apart from tourism to generate income. The current tourism market perceptions for Christmas Island are that there is inadequate flight frequency from Asia hub ports and it is expensive to fly here from Perth and the East Coast of Australia. The cost of a return ticket from Perth is close to \$1800 whilst a 10 day holiday to Bali, with all accommodation and travel

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45 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 20.

46 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 10.

47 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 11.

paid for, is less than \$500. It makes it very difficult for us to compete on this basis.<sup>48</sup>

4.49 Table 4.1 shows the cost of return airfares from major Australian capital cities as at February 2010. The cost of a return airfare to Christmas Island is approximately between \$1000 and \$1600. In comparison, the price of airfares to other Indian Ocean destinations such as the Maldives is competitive at \$1200 return. Visiting Mauritius offers further competition with accommodation, some meals and airport transfers included for an extra \$600 over the most expensive airfare to Christmas Island.

4.50 CITA made the point that the high price of airfares and availability of flights has severely damaged Christmas Island's credibility as a tourist destination.<sup>49</sup>

**Table 4.1 Price comparison of travel from major Australian capital cities to Christmas Island including to the Maldives and Mauritius from Sydney as at February 2010**

ORIGIN	DESTINATION	AIRFARE/PACKAGE COST	COMMENTS
Sydney	Christmas Island	Approx - \$458 per person including taxes for Sydney/Perth/Sydney  Approx - \$1008 per person including taxes Perth/Christmas Island/Perth  <b>Total - \$1466 per person including taxes</b>	These are based on the cheapest available fares at the time with Qantas domestically and Virgin Blue to Christmas Island.
Canberra	Christmas Island	Approx - \$524 per person including taxes for Canberra/Perth/Canberra  Approx - \$1008 per person including taxes Perth/Christmas Island/Perth  <b>Total - \$1532 per person including taxes</b>  Flights would not necessarily connect and therefore an overnight in Perth would be required adding 1 night's accommodation to the cost. Approximately \$150 per night	These are based on the cheapest available fares at the time with Qantas domestically and Virgin Blue to Christmas Island.
Melbourne	Christmas Island	Approx - \$438 per person including taxes for Melbourne/Perth/Melbourne  Approx - \$1008 per person including taxes	These are based on the cheapest available fares at the time with Qantas

48 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 78.

49 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 78.

		Perth/Christmas Island/Perth <b>Total - \$1446 per person including taxes</b>	domestically and Virgin Blue to Christmas Island.
Brisbane	Christmas Island	Approx - \$554 per person including taxes for Melbourne/Perth/Melbourne Approx - \$1008 per person including taxes Perth/Christmas Island/Perth <b>Total - \$1562 per person including taxes.</b> Flights would not necessarily connect and therefore an overnight in Perth would be required adding 1 night's accommodation to the cost. Approximately \$150 per night	These are based on the cheapest available fares at the time with Qantas domestically and Virgin Blue to Christmas Island.
Sydney	The Maldives (Malé)	<b>From - \$1270 per person including taxes</b> For flights: Sydney/Kuala Lumpur/Male/Kuala Lumpur/Sydney	These are based on the cheapest available fares at the time flying Malaysian Airlines via Kuala Lumpur
Sydney	Mauritius	Holidays to Mauritius are packaged up to include airfares, accommodation, airport transfers, breakfast and dinner and taxes Packages ex Sydney for 5 nights staying at a 3 star well located resort would be <b>approximately - \$2281 per person during April</b>	Based on a package holiday put together by a reputable travel wholesaler specialising in the area

4.51 CITA expressed its concern about the negative impact on tourism of the length of time taken and the process involved in AGD tendering the IOTs air services contract. Since that time, a new service provider has been awarded the IOTs air services contract. CITA advocated any new contract should assist in developing the IOTs tourist industry by implementing a multi-layered fare structure, increasing flight frequency and establishing new routes. CITA stated:

Real damage was caused to the IOTs tourism industry in 2008 and the first quarter of 2009. The time taken to award the contract and the subsequent collapse of the provider when they were on the brink of taking over the service must never be repeated. It is essential that any service provider be able to provide a number of components that are fundamental for developing a tourist market.

These include but are not limited to a multi-layered fare structure that offers tourist-class fares as well as wholesale fares to travel agents; adequate flight frequency with which to consolidate visitation; scheduling same-day links to other service points such as Singapore and Kuala Lumpur which will service new routes for the Cocos (Keeling) Islands and open up opportunities in Europe and Asia; industry compliance with the air service provider conforming to industry standards such as the application of standard distribution channels in the global distribution system; trade engagement; commissions; sector rebates; yield management; and, ultimately, the 'interlining' of airfares.<sup>50</sup>

- 4.52 The Shire of Christmas Island commented that the concept of visiting Christmas Island should be marketed as a package deal to potential tourists from Singapore and Kuala Lumpur and stated:

I would think that it is a package. There are attractions. If you are going to come here for a couple of days – and I think that in discussion with the people in tourism industry when they look at marketing tourism on Christmas Island and when they look at Singapore, KL [Kuala Lumpur], the near north, people in those places would like to come to Christmas Island because we are remote and do not have Blackberry access. They might get a few days, they might get public holidays either side of a weekend. Also busy executives do not want to be away from their work for too long, so less than a week we would expect most of the tourists to be coming, which fills the planes.<sup>51</sup>

- 4.53 CITA advocated that a destination management strategic plan should be drafted and ratified to enable targeted investment in the tourism industry and stated:

Governments clearly articulate the strategic direction for Christmas Island to enable industry and investors to identify and seek opportunities, to invest with a level of certainty. From a tourism perspective, the Indian Ocean Destination Management Strategic Plan must be drafted and ratified by government. The plan provides a mandate for the development of tourism. Such a plan provides the framework for tourism policy and articulates the direction of investment and resources required. Without a clear agreed plan, policy and investment will remain reactive and

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50 Christmas Island Tourism Association, Mr Bill Tatchell, *Transcript T4*, pp 80 and 81.

51 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 15.

fragmented and will fail to capitalise on previous investment made to maximise what has already been developed.<sup>52</sup>

4.54 In April 2008, AGD commissioned the Christmas Island Destination Development Report. The aim of the report was to:

- 'increase the attraction of the island with a focus on low volume, high yield tourism as a basis for enhancing tourism's long term contribution to the economy of Christmas Island
- ensure that the products and experiences on offer align with the [Christmas Island] brand.'<sup>53</sup>

4.55 The report was arrived at through stakeholder and community consultation and includes a plan of destination development strategies. These strategies encompass: access, accommodation, attractions and experiences, infrastructure and amenities, services, tourism management, training and development, conservation of the environment and commercial opportunities and investment.<sup>54</sup>

4.56 The development strategy does not commit any agency or party to the actions assigned or 'indicate that sufficient resources or funding is available to implement the recommendations.'<sup>55</sup> The development strategy stipulates:

Strategies are aspirational and provide agencies and interested parties with a set of goals, tools and ideas to assist in planning and developing programs to incorporate tourism needs and to create business opportunities. The implementation stage will further develop the strategies into a plan of action.<sup>56</sup>

4.57 AGD advised that the workshop which was the consultation forum for drafting the Christmas Island Destination Development Report 'identified the desire for local leadership to implement the actions and strategies' arrived at in the report.<sup>57</sup>

4.58 The report therefore assigns responsibility for developing tourism on Christmas Island to 'the Shire of Christmas Island, the Australian Government, [and the] Christmas Island Tourism Association as well as

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52 Christmas Island Tourism Association, Mr Bill Tatchell, *Transcript T4*, p. 80.

53 Planning for People, April 2008, *Christmas Island Destination Development Report*, p. 2.

54 Planning for People, April 2008, *Christmas Island Destination Development Report*, p. 18.

55 Planning for People, April 2008, *Christmas Island Destination Development Report*, p. 18.

56 Planning for People, April 2008, *Christmas Island Destination Development Report*, p. 18.

57 Attorney-General's Department, *Submission 15.5*, p. 4.



operators, developers, educational and training institutions and the general community.’<sup>58</sup>

4.59 The tourism strategy plan contained in the report was intended to be implemented in two stages:

- ‘finalise the plan and determine the process for long term implementation, and
- facilitate, coordinate, monitor, review and report on the plan.’<sup>59</sup>

4.60 Further, the plan would require stakeholders and the community to provide regular ‘feedback on the plan and an avenue for individuals and organisations to engage in the plan or in specific actions.’<sup>60</sup>

4.61 A steering committee, chaired by the President of the Shire of Christmas Island with members taken from CITA, AGD and Parks Australia is responsible for implementing the plan contained in the report. The report notes:

In finalising the plan the steering committee will determine the most suitable body to facilitate, coordinate, monitor, review and report on the plan to enable long term implementation.<sup>61</sup>

4.62 AGD advised the Steering Committee has not met again since early 2009. Further, AGD ‘does not anticipate that the Steering Committee will determine a suitable body.’<sup>62</sup> In this respect AGD is considering ‘developing a more regional approach [to] the implementation of the Christmas Island Destination Development Report.’<sup>63</sup>

4.63 The Christmas Island Destination Development Report is currently used to provide guidance and support to AGD’s IOTs tourism stimulating policies and programs including:

- ‘improving air services – Virgin Blue are commencing on 1 April 2010
- improving directional signage – a joint project of the Department and the Christmas Island Tourism Association (CITA) has resulted in new signs which are ready to be installed
- ongoing funding for CITA. In 2009-2010 this is around \$525 000

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58 Planning for People, April 2008, *Christmas Island Destination Development Report*, p. 30.

59 Planning for People, April 2008, *Christmas Island Destination Development Report*, p. 30.

60 Planning for People, April 2008, *Christmas Island Destination Development Report*, p. 30.

61 Planning for People, April 2008, *Christmas Island Destination Development Report*, p. 30.

62 Attorney-General’s Department, *Submission 15.5*, p. 5.

63 Attorney-General’s Department, *Submission 15.5*, p. 5.

- investing in port facilities to enable cruise ships to visit Christmas Island. The investment by the Australian Government was \$3.5M
  - releasing land for a Tourism Development on Christmas Island and
  - building capacity through services of an Economic Development Officer, Small Business Development Corporation and the Indian Ocean Group Training Association.<sup>64</sup>
- 4.64 In 2009-2010, \$120 000 in funding was provided to the Cocos (Keeling) Islands Tourism Association (CKITA). In 2009, CKITA drafted and completed a Tourism Plan which it is currently implementing.<sup>65</sup>
- 4.65 *Remote Control: Australian Governance Strategies for Tourism Development on Christmas Island* found that currently the majority of tourists to the IOTs are from Western and Eastern Australia, Europe and East Asia.<sup>66</sup>
- 4.66 Further, the report emphasised the need for the involvement of either Tourism Australia or Tourism WA to effectively promote Christmas Island as a tourist destination nationally and internationally. The report stated:

Current governance structures have placed the AGD as the central governance body on the island overseeing economic development. The AGD has neither the connections with nor understanding of the tourism industry to adequately develop the industry on the island. If the federal government would like to maintain control over decision making in regard to tourism development on Christmas Island, it should immediately establish a link between Tourism Australia, the AGD, CITA and [Christmas Island Shire Council] CISC. Not only could such a link provide significant assistance to the AGD and CITA in developing a firm tourism strategy for the island, it could also provide greater scope for project funding for tourism and potentially increase private investment on the island. CISC consultation and implementation of tourism development proposals would ensure adequate community input.<sup>67</sup>

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64 Attorney-General's Department, *Submission 15.5*, pp 4 and 5.

65 Attorney-General's Department, *Submission 15.5*, p. 5.

66 Exhibit 8, Robin Brotchie, 2009, *Remote Control: Australian Governance Strategies for Tourism Development on Christmas Island*, Australian National Internships Program, p. 14.

67 Exhibit 8, Robin Brotchie, 2009, *Remote Control: Australian Governance Strategies for Tourism Development on Christmas Island*, Australian National Internships Program, p. 31.

## Tourism infrastructure requirements

- 4.67 CITA commented on the stagnant condition of Christmas Island's tourism industry and indicated Government investment and assistance would be required to develop tourism infrastructure. CITA stated:

The reality is that tourism on Christmas Island is not developing but is rather currently stagnating. Capital investment by government is required to develop the foundations of an industry from which commercial tourism as well as non tourist related businesses can establish themselves and grow. Investment is essential. With the impacts on the [tourism] industry globally and within Christmas Island, combined with the green and red tape associated with developing any infrastructure, investment will not come from the private sector. One must therefore look to the government to put back into the community for tourism in a planned and coordinated manner.<sup>68</sup>

- 4.68 Mr Ron Grant made a similar observation in regard to the provision and funding of basic infrastructure on the Cocos (Keeling) Islands and stated:

Basically the Attorney-General's Department has two areas in which it can assist the shire. One is the provision of infrastructure – water, power, sewerage, communications – which is absolutely critical. If you look, for example, at West Island, virtually all your services cease around the settled area. So, if any developer wants to develop something – a farm site or a tourism operation – infrastructure becomes a critical issue.<sup>69</sup>

- 4.69 The Shire of Christmas Island commented that there is limited accommodation on Island<sup>70</sup> and advocated use of the casino building for tourist accommodation and stated:

... [the casino building] ... is critical infrastructure for the tourism industry. It is an established complex. It needs some work, but it would certainly be my preference for that to be the foundation of the tourism industry. You need a substantial set of hotel rooms, and that is what is there in number and I think the quality could be delivered. When the resort was operating, tourism businesses sprung up around the town and could have supported much greater occupation of those hotel rooms. But it was primarily a

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68 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 80.

69 Mr Ron Grant, *Transcript T5*, p. 19.

70 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 11.

casino. I think the emphasis needs to be on getting tourists here for purposes other than a casino, although some people would argue that the resort could not work without a casino.<sup>71</sup>

- 4.70 In addition to funding future infrastructure needs, it was noted that existing tourism infrastructure in the national park on Christmas Island is not of the same high quality as in other national parks on the mainland.<sup>72</sup>
- 4.71 Mrs R Peter highlighted the need for basic tourism infrastructure such as: ablution blocks, sheltered picnic and safe beach areas and transport to various activities.<sup>73</sup>
- 4.72 As mentioned in the previous chapter, the Government has announced funding to upgrade tourist infrastructure such as walking trails which link natural and heritage attractions around Christmas Island.<sup>74</sup> Further funding to upgrade existing infrastructure has also been announced.<sup>75</sup>
- 4.73 Mr Raymond Marshall commented that a resort was needed on the Cocos (Keeling) Islands, but stated with low levels of tourism attracting and retaining investment was difficult. Mr Raymond Marshall stated:
- The place probably needs a resort but who is going to fund a resort, especially if the planes are not bringing enough people in here. I think access through to the north is essential for the island to grow – through Singapore, Kuala Lumpur or wherever it may be.<sup>76</sup>
- 4.74 The Shire of Cocos (Keeling) Islands noted tourists come to the islands in small numbers as accommodation is limited as is available plane seating.<sup>77</sup>

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71 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 9.

72 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 19.

73 Mrs R Peter, Submission 12, p. 3.

74 Attorney-General's Department, *Submission 15*, p. 10.

75 B O'Connor (Minister for Home Affairs), *Infrastructure boost for Christmas Island*, media release, Parliament House, Canberra, 15 December 2009.

76 Mr Raymond Marshall, *Transcript T5*, p. 47.

77 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 9.

## Conclusions

- 4.75 Potential new growth industries including tourism and ecotourism have been identified by various Indian Ocean Territories' (IOTs) organisations and individuals as having the potential to be further developed and provide positive returns in a relatively short timeframe. In addition, it is expected tourism has the potential to spur the growth of complementary industries and assist in diversifying the IOTs economies. Economic diversification could assist the IOTs economies to become self sufficient and lower the reliance on Government services.
- 4.76 As a result of limited diversification within its economies, the IOTs is experiencing a decline in its population. As more people leave the IOTs in search of education and career opportunities, a downward economic spiral is created, serving to increase economic reliance on Government services and funding. The committee therefore supports initiatives by the Shire of Christmas Island the Shire of the Cocos (Keeling) Islands to retain its youth populations on the islands.
- 4.77 Tourism has been identified as a viable industry for development on the IOTs. While tourism is already an established industry on the IOTs, it is not expanding and has further, been adversely affected by the global financial crisis. Ecotourism may also be negatively affected by environmental degradation caused by mining and could be negatively affected if mass volume tourism is encouraged.
- 4.78 It can be argued that if the environmental value of the IOTs is diminished through mass volume tourism, it is likely the IOTs attractiveness as an ecotourism destination will diminish. The committee, while supporting measures to develop the tourism industry, believes care should be taken to implement development initiatives which have the dual purpose of stimulating economic growth and also preserving the IOTs natural environment.
- 4.79 A number of suggestions were made to improve tourism in the IOTs. Identifying niche markets in Asia was a favoured option as was implementing a visa waiver scheme. The aim of the visa waiver scheme is to attract tourism from Asia. The visa waiver arrangement could allow international visitors to travel to the IOTs without onward movement to the mainland with visitors subject to immigration and security checks. The committee believes this proposal should be investigated further as a means to attract tourism from Asia and possibly increase visitor numbers to the IOTs.

- 4.80 Areas requiring improvement to grow tourism include: tourism infrastructure, affordability and frequency of airfares, and tourism destination promotion and marketing.
- 4.81 Improving tourism infrastructure requires either an upgrade to existing infrastructure or development new infrastructure. Evidence suggests that as there is limited interest from the private sector in developing tourism infrastructure, that the Government may be responsible for providing infrastructure development funding. Given the current economic climate and the early development stage of the IOTs tourism industry, the committee agrees that the responsibility of developing and upgrading tourism infrastructure may fall to the Government to provide.
- 4.82 As a result of the upgrade to the mooring system at Smiths Point, Christmas Island, cruise ships are now able to visit. The committee notes the positive economic impact of the recent cruise ship visit to Christmas Island and believes such initiatives should be continued into the future.
- 4.83 The high price of airfares to the IOTs reflects the low level of demand for flights. Demand could be improved through more targeted promotion and marketing of the IOTs as a tourist destination. The prohibitive cost of airfares to the IOTs also serves as a disincentive for tourists who are able to visit Mauritius, the Maldives and comparable destinations, for the same or lower cost. The committee believes the IOTs tourism brand would benefit from package deal marketing, allowing the IOTs tourism industry to better compete with similar tourist destinations.
- 4.84 The Christmas Island Tourism Association (CITA) advocated that a destination management strategic plan should be drafted and ratified. The committee is aware of the Christmas Island Destination Development Report which is aimed at increasing the attraction of the island with a focus on low volume, high yield tourism as a basis for enhancing tourism's long term contribution to the economy.
- 4.85 The majority of tourists to Christmas Island originate from Western and Eastern Australia, Europe and East Asia. Evidence presented suggests that Tourism Australia should become involved in assisting with formulating strategies to market and promote Christmas Island as a tourist destination.
- 4.86 The committee supports the participation of Tourism Australia in assisting the IOTs to develop and produce workable tourism destination management plans with the broader aim of assisting in developing the IOTs tourism industries.
- 4.87 The committee believes that Tourism Australia is best placed (as the statutory authority which promotes Australia as a tourist destination

internationally and nationally and research and forecasts for the sector), to provide expertise in developing the tourism industries of each of the IOTs.

- 4.88 The committee understands the Christmas Island Destination Development Report includes the foundation of a destination management strategic plan and appears to have been intended to be a working document, requiring continuous community and stakeholder input. The committee suggests this document should be reviewed and discussed in terms of its usefulness by its stakeholders and the community in consultation with Tourism Australia.

#### **Recommendation 14**

- 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**

- 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.**

### **Education partnerships and research centres**

- 4.91 A number of suggestions were made to develop research centres or expand existing education partnerships on Christmas Island.
- 4.92 One such education partnership is the ongoing Christmas Island Seabird Project, initiated in 2004 with the University of Hamburg. The project has assisted with the conservation of seabirds of Christmas Island.<sup>78</sup>
- 4.93 The Shire of Christmas Island is keen for the project to be expanded with the creation of a research foundation. Existing links have been created

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78 Dr Janos Hennicke, 2004, *The Christmas Island Seabird Project*, University of Hamburg, p. 2.

with universities in Asia, North America and Europe where students undertake the field work component of their degrees on Christmas Island.<sup>79</sup>

- 4.94 In 2005, arising from the established link with foreign universities, a business case proposal was put forward to Parks Australia to establish the Christmas Island International Research Centre, based at Tai Jin House.<sup>80</sup> The project has two objectives:
- To 'establish an international centre for tropical Indian Ocean research, and to generate export revenue by attracting overseas research funds' and
  - To 'create ecotourism opportunities by making research programmes and the island's ecology generally available to specialist tour operators.'<sup>81</sup>
- 4.95 AGD advised about the status of the proposal and stated it 'is under review by the Department of the Environment, Water, Heritage and the Arts.'<sup>82</sup>
- 4.96 In addition to such academic partnerships, the Shire of Christmas Island suggested the creation of a large scale social capital venture in the form of an 'Indian Ocean Rim Centre.' The centre would be modelled on the East West Centre located in Hawaii. The East West Centre includes international research, education and professional exchange programs. To develop the centre would require a large injection of Government funding.<sup>83</sup>
- 4.97 Mr John Sorensen advocated the establishment of a marine research facility 'to explore the ocean surrounding Christmas Island including the depths of the Java Trench'.<sup>84</sup>
- 4.98 Dr Nic Dunlop was also in favour of establishing an international scientific research station 'focusing on island ecology and marine climate change science.'<sup>85</sup>

79 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, pp 7-8.

80 Tai Jin House was the official residence of the first Administrator of Christmas Island and is located on the hill above Flying Fish Cove. Christmas Island Tourism Association, viewed 20 December 2009, <[www.christmas.net.au](http://www.christmas.net.au)>.

81 Department of the Environment and Heritage, September 2005, *Christmas Island International Research Centre: Business Case – Tai Jin House, the nucleus of the proposed research centre*, Parks Australia North, pp 2-3.

82 Attorney-General's Department, *Submission 15.3*, answer to Question 7.

83 Shire of Christmas Island, *Submission 24*, p. 11.

84 Mr John Sorensen, *Submission 2*, p. 2.



- 4.99 Dr Nic Dunlop suggested that education services such as an international high school and tertiary training campus could be established. The Christmas Island campus could specialise in 'natural resource management and national parks management for foreign students from the region.'<sup>86</sup>

## Conclusions

- 4.100 The 2004, University of Hamburg funded project which examined the conservation of sea birds on Christmas Island established an international link for the further preservation of Christmas Island's natural environment, and marked Christmas Island as a possible research destination.
- 4.101 There appears to be substantial potential for Christmas Island to continue to develop its existing education partnerships and also seek new opportunities for education partnerships.
- 4.102 The proposal to establish an international research centre on Christmas Island in 2005 is currently under review. The centre would provide an international forum for tropical Indian Ocean research, and potentially generate export revenue by attracting overseas research funding. The centre would also create ecotourism opportunities by opening up research programs and the island's ecology to specialist tour operators.

## Agriculture and aquaculture

- 4.103 Several attempts at growing local produce commercially have been unsuccessful. Such ventures are costly and fresh produce on Christmas Island is prone to fruit fly infestation.<sup>87</sup> On the Cocos (Keeling) Islands, the soil quality is poor with the alternative of hydroponics found to be difficult to establish.<sup>88</sup>
- 4.104 The Shire of Christmas Island noted that a small scale, private hydroponic venture has started on the island. The venture is based on a Singapore

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85 Dr Nic Dunlop, *Submission 10*, p. 2.

86 Dr Nic Dunlop, *Submission 10*, p. 2.

87 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 19.

88 Shire of Cocos (Keeling) Islands, *Transcript T5*, p. 7.

hydroponic model and 'is a closed system, including fish at the end of the chain' with any waste product pumped back into the system.<sup>89</sup>

4.105 The Shire of Christmas Island found the only impediment to the hydroponic system being expanded is the limited availability of land.<sup>90</sup>

4.106 Mr Ron Grant advocated growing local produce on the Cocos (Keeling) Islands also through the hydroponic method and stated:

Hydroponics would be the preferred method. If you go back and look at the West Island farm, which is now badly dilapidated, there are at least four hydroponic buildings there that are producing quite a wide range of crops. Importing soil from Christmas Island, you will have quarantine problems. ... people are producing a range of fruit and vegetables, which are limited, which are growing quite well, for their own use, but also they have things like ducks, pigeons and chickens. So they are starting to supplement their diet with items locally grown, but the best way to go would be hydroponics to get away from all of your problems with nematodes et cetera in the soil, and it is more cost effective than trying to use traditional horticultural methods here.<sup>91</sup>

4.107 Establishing aquaculture on the Cocos (Keeling) Islands is more complicated because of legal requirements. In regard to aquaculture Mr John Clunies Ross stated:

An aquaculture venture with clams requires an aquaculture permit, a fishing permit, a fishing boat permit. I have to be a good and proper person or whatever it is to hold a fishing permit, so I need police clearance. I need a[n] ... endangered species trading permit. That is twice a year. That is just one of the businesses. To go diving for the fish I need a commercial ticket. I do 20 days a year in non productive compliance. One and a half per cent of my working life is just compliance.<sup>92</sup>

4.108 Mr Nyall Ledger makes a similar point in regard to bech de mer fishing, but is unable to gain a licence and start this business on the Cocos (Keeling) Islands. This issue is discussed in more detail in the previous chapter.

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89 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 19.

90 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 19.

91 Mr Ron Grant, *Transcript T4*, p. 24.

92 Mr John Clunies-Ross, *Transcript T5*, pp 32-33.

- 4.109 It was previously noted, the Economic Development Consultative Groups' strategic development plan currently includes funding 'for a horticulture feasibility study for the IOTs, including research and development for aquaculture.'<sup>93</sup>

## Conclusions

- 4.110 Hydroponics is the preferred method for growing local produce in the IOTs. Growing produce locally lessens community reliance on freighted fresh produce and lowers household costs, while also stimulating the local agricultural industry and more broadly assisting economic diversification. Regular access to fresh produce also has health benefits for IOTs residents.
- 4.111 As highlighted in the previous chapter, it is claimed the aquaculture industry on the Cocos (Keeling) Islands is hindered by bureaucratic requirements, but could produce sustainable levels of income and employment for the local economy, if allowed to operate with moderate regulation.
- 4.112 The committee believes the viability of agriculture and aquaculture on the IOTs requires further investigation and supports recent initiatives for a horticulture feasibility study for the IOTs including research and development for aquaculture. The committee acknowledges that where there is local interest and investment in these industries, Government assistance could help to develop these industries.
- 4.113 The committee also believes the Government could further assist with business development for private ventures such as agriculture and aquaculture, by providing individuals and businesses assistance in navigating through legal and administrative requirements.

## Renewable energy

- 4.114 Renewable energy production was also highlighted as a possible industry for development. The Shire of Christmas Island commented that solar and wind energy may be suitable to Christmas Island's climate and stated:

I think that solar power is a very viable technology.... and any measure to bring solar power to Christmas Island would be most welcome.... Wind is also a very viable source of energy. I think in Albany they have 12 wind turbines and that provides at least

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93 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, pp 4 and 12.

30 percent of the power. That is in a significant community of, I think, 60 000 people.<sup>94</sup>

- 4.115 Mrs R Peter suggested 'local energy requirement could be managed by installation of solar panels in every home and business. This would lead to less reliance on freighted liquid fuel.'<sup>95</sup>

## Conclusions

- 4.116 The committee received evidence that renewable energy such as solar and wind power may have the potential to be developed on Christmas Island and suggests these options could be explored further in terms of cost and infrastructure requirements.

### Recommendation 16

- 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.**

## Housing issues and options

- 4.118 The Commonwealth owns and controls the majority of land that is available for development on Christmas Island. While on the Cocos (Keeling) Islands, the Shire holds in trust and controls approximately 85 percent of land.
- 4.119 A shortage of housing was identified as a matter of concern for IOTs residents. While differing factors are driving housing demand on Christmas Island and the Cocos (Keeling) Islands, both IOTs economies, are subject to limited land release, creating housing shortages.
- 4.120 Concerns were also raised about the negative economic impact land use policies are having on commercial and residential development in the IOTs and the resulting stagnating effects on the local construction industries.

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94 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, pp 26-27.

95 Mrs R Peter, *Submission 12*, p. 3.

- 4.121 CITA highlighted the need for development and land release plans on Christmas Island,<sup>96</sup> similarly Mr Ron Grant noted the limited development on Shire of Cocos (Keeling) Islands owned land.<sup>97</sup>
- 4.122 The Government has responded in part to issues associated with land release and supply through creation of a Crown Land Management Plan (CLMP). The CLMP is intended to inform planning for future land use. AGD stipulated the CLMP is 'a useful tool, however, it will not replace the normal land planning process.'<sup>98</sup> The CLMP is discussed in more detail later in this chapter.

## Christmas Island

- 4.123 The Christmas Island housing market consists of a large rental market with low levels of private home ownership. The Commonwealth owns approximately 30 percent of all residential housing on Christmas Island with over half of these properties rented out as public housing. The remaining properties are used to house Commonwealth public sector employees.
- 4.124 Public housing is owned by the Commonwealth and managed by the Government through the Christmas Island Administration. Terms and conditions for public housing are similar to the Western Australian (WA) Government's Department of Housing.<sup>99</sup>
- 4.125 While some public housing stock, currently meets WA Department of Housing standards, AGD, through its capital works program is intending to initiate maintenance and upgrades where required.<sup>100</sup>
- 4.126 The Shire of Christmas Island stated the majority of residents rent in the private market and noted the price of renting has increased in 2009, with a one bedroom unit in the centre of town doubling since July from \$150 per week to \$300 per week. Terrace house rents have increased by \$180 per week in the same timeframe.<sup>101</sup>
- 4.127 The Shire of Christmas Island commented that the rapid increase in housing rental prices is commonly attributed to the demand for

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96 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 78.

97 Mr Ron Grant, *Transcript T5*, pp 18-19.

98 Attorney-General's Department, *Submission 15.5*, p. 2.

99 Attorney-General's Department, *Submission 15*, p. 21.

100 Attorney-General's Department, *Submission 15*, p. 21.

101 Shire of Christmas Island, *Submission 24*, p. 11.

accommodation generated by staff and contractors servicing the activities of the Christmas Island Immigration Reception and Processing Centre.<sup>102</sup>

- 4.128 The Department of Immigration and Citizenship stated the majority of their staff (including contractors) is housed in department owned accommodation with additional accommodation sourced through the private rental market.<sup>103</sup>
- 4.129 House values have also steadily increased over time with a two or three bedroom house valued at \$140 000 in 2003 and in 2009 the same property was valued at between \$200 000 and \$230 000.<sup>104</sup>
- 4.130 Regardless of the measured increase in housing values, housing supply is not keeping up with demand on Christmas Island. However, this undersupply has not spurred the expansion of the construction industry as ‘investors are reluctant to invest if they are uncertain about possible returns on investment. Many investors are demanding guarantees on long term leases before they will build.’<sup>105</sup>
- 4.131 CICC drew attention to the high cost of construction on Christmas Island, noting it is approximately 2.5 times more expensive than on the mainland and attributed the low levels of commercial development on Christmas Island to the high cost of construction.<sup>106</sup>
- 4.132 The Shire of Christmas Island advocated making Crown land available for residential development<sup>107</sup> to remedy the problems associated with rent affordability and the shortage of housing supply.
- 4.133 As an associated housing issue, the Shire of Christmas Island commented on the scheme that was in operation on Christmas Island which allowed public housing tenants to buy the houses they rent, similar to the scheme in operation by the WA Department of Housing. The Shire of Christmas Island stated:

The former tenants of Blocks 408 and 412 [Kampong] have made several requests to purchase housing units. The Christmas Island Administration did commence a process which included obtaining valuations for the properties to be sold to the Administration’s

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102 Shire of Christmas Island, *Submission 24*, p. 11.

103 Department of Immigration and Citizenship, *Submission 22*, p. 4.

104 Shire of Christmas Island, *Submission 24*, p. 13.

105 Shire of Christmas Island, *Submission 24*, p. 13.

106 Christmas Island Chamber of Commerce, *Submission 19*, p. 4.

107 Shire of Christmas Island, *Submission 24*, p. 13.

public housing tenants. The process stalled and the tenants are now requesting the Administration to proceed.<sup>108</sup>

## Cocos (Keeling) Islands

- 4.134 The Shire of Cocos (Keeling) Islands through a trust arrangement either leases or rents 104 properties on Home Island with the cost of rental for a three bedroom dwelling at \$135 per week or \$141 per week for a four bedroom dwelling.<sup>109</sup>
- 4.135 The Shire of Cocos (Keeling) Islands highlighted the issue of overcrowding in some houses because of extended family living arrangements, but stated:
- Due to the pressure on existing utilities and limited fresh water supply, there is no potential to construct additional homes on Home Island.<sup>110</sup>
- 4.136 The Commonwealth owns the majority of houses on West Island. These houses are used for Commonwealth public servants and private contract staff. There is currently a shortage of houses on West Island.<sup>111</sup>
- 4.137 Similarly to Christmas Island, the cost of construction on the Cocos (Keeling) Islands is approximately 2.5 times more expensive than on the mainland. The high cost of construction has served as a disincentive for the development of a local construction industry, creating a shortage of local essential tradespeople.<sup>112</sup>
- 4.138 In 2007, AGD provided \$507 000 in funding for a joint venture to construct two public housing dwellings on Home Island. The Shire of Cocos (Keeling) Islands is responsible for the management and maintenance of the properties for the next 25 years. Potential public housing clients must meet WA public housing eligibility criteria to be granted a rental lease.<sup>113</sup>
- 4.139 To further ease the pressure on housing supply, AGD is sponsoring 'the building [of] several additional houses and preparing to release land at Buffett Close on West Island.' AGD is also considering making available four houses at the former Quarantine Station.<sup>114</sup>

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108 Shire of Christmas Island, *Submission 24*, p. 14.

109 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3.

110 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3.

111 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3.

112 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3.

113 Attorney-General's Department, *Submission 15*, p. 22.

114 Attorney-General's Department, *Submission 15*, p. 22.

## Land use and heritage considerations

4.140 The absence of a land use strategy or plan has been highlighted as a significant hindrance to business investment and development for both Christmas Island and the Cocos (Keeling) Islands.

4.141 CICC commented that the absence of a land use strategy acts as a disincentive for commercial development on Christmas Island and stated:

As of the current date, the Chamber is not aware of any realistic and workable land planning strategy on Christmas Island. This immediately disqualifies any interest from commercial developers with the financial capacity to plan and complete major projects on the Island.<sup>115</sup>

4.142 CITA also suggested a land planning strategy is needed for Christmas Island to assist in attracting and informing investment. CITA stated:

We would love to get the private sector to invest in the island, but you have heard about the cost of fuel, the cost of a fridge and the cost of getting freight over here. It is not an attractive proposition. We cannot get the Accors and the Starwoods. We cannot attract them. So we need to find smaller private investors. But then we hit a snag: what do we do with the land? Can we access the land? There is no singular land planning strategy that says, 'Here is an opportunity, here is what you can do, here is the style of building that you may build and these are the associated sweeteners.'<sup>116</sup>

4.143 In addition to the inability to attract commercial investment, CICC also raised concerns about the impact of heritage assessment on commercial developments on Christmas Island and stated:

The Chamber is aware of a number of commercial developments that have failed in the planning process due to either the heritage boundaries, or the local administration of the heritage guidelines.<sup>117</sup>

4.144 Mrs R Peter advocated restoration or demolition of derelict buildings which have been heritage listed on Christmas Island and stated 'these are eye-sores unless something urgently is done with them. Once restored, these may be used for public recreational and social purposes.'<sup>118</sup>

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115 Christmas Island Chamber of Commerce, *Submission 19*, p. 4.

116 Christmas Island Tourism Association, Mr Bill Tatchell, *Transcript T4*, p. 81.

117 Christmas Island Chamber of Commerce, *Submission 19*, p. 3.

118 Mrs R Peter, *Submission 12*, p. 2.



- 4.145 AGD acknowledged the *Environment Protection and Biodiversity Conservation Act 1999* (Cwlth) ‘applies to all aspects of the Territories and impacts on the majority of operational work of the Department and can affect business.’<sup>119</sup>
- 4.146 In regard to addressing issues surrounding heritage, AGD added it is working towards application of relevant legislation which has been amended and ‘removes the definition of Commonwealth Area, in those areas within the Territories where a person holds a freehold interest in the land.’<sup>120</sup>
- 4.147 In regard to heritage, AGD further stated ‘this is not a simple process and will require negotiations for a SDA [service delivery arrangement] between the Department and the relevant WA Government agency, and consultation with stakeholders and the community.’<sup>121</sup>
- 4.148 In addition, to manage Crown land and address any future issues regarding Crown land use, AGD has developed the CLMP, which is aimed at informing decisions on future land use for the IOTs by assessing ‘the conservation, economic, cultural and social values of crown land.’<sup>122</sup>

## Crown Land Management Plan

- 4.149 AGD is responsible for managing Crown land in the IOTs on behalf of the Commonwealth. Through a SDA with the WA Departments of Land Information, and Planning there is provision for ‘registration of titles, valuation of land and the provision of planning, legal and administrative advice on land.’<sup>123</sup>
- 4.150 The Shire of Christmas Island administers the ‘statutory mechanism under WA planning legislation that controls all land use on the island’ - the *Town Planning Scheme*.<sup>124</sup>
- 4.151 The Shire of Cocos (Keeling) Islands administers the ‘statutory mechanism under WA planning legislation that controls all land use on the island’ - the *Local Planning Scheme*. In addition, there is a ‘land trust agreement

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119 Attorney-General’s Department, *Submission 15*, p. 20.

120 Attorney-General’s Department, *Submission 15*, p. 20.

121 Attorney-General’s Department, *Submission 15*, p. 20.

122 Attorney-General’s Department, *Submission 15*, p. 21.

123 GHD, September 2009, *Report for Crown Land Management Plan for the Indian Ocean Territories, Cocos (Keeling) Islands*, p. 1; GHD, September 2009, *Report for Crown Land Management Plan for the Indian Ocean Territories, Christmas Island*, p. 1.

124 GHD, September 2009, *Report for Crown Land Management Plan for the Indian Ocean Territories, Christmas Island*, p. 1.

between the Commonwealth and the Shire of Cocos (Keeling) Islands' allowing the shire to manage this land 'for the benefit, advancement and wellbeing of the Cocos Malays.'<sup>125</sup>

4.152 The *Town Planning Scheme* and the *Local Planning Scheme* are the 'primary instruments through which land use and development [are] controlled' on the IOTs. Both have 'an outlook of five years and zone land for certain purposes and contain development provisions for each particular zone, in accordance with the orderly and proper planning of a local government area.'<sup>126</sup>

4.153 AGD explained the CLMP:

... will be used to inform the shires' local planning schemes and to seek holistic development approval for a range of possible projects. The management plan has been developed in close consultation with stakeholders in both territories.<sup>127</sup>

4.154 AGD circulated the CLMP to IOTs stakeholders in September 2009. The Shire of Christmas Island commented on the contents of the CLMP and the consultation process undertaken by AGD in regard to the plan. The Shire of Christmas Island stated:

Basically, the Crown Land Management Plan was delivered as a report in July. I was involved in two discussions with the consultants who produced it. They were very interesting discussions. The report does challenge some of the assumptions of the land planning strategy that we developed, also with the assistance of the Commonwealth department, a few years ago. That was a very significant land planning exercise which involved many people. It was a very broad consultation involving many of us in several forums. It was a different style to the land planning strategy developed by a town planner. This Crown land management plan does challenge some of the assumptions of the land planning strategy, so the seeds of doubt have been sown in some areas and the ball is now in our court to deal with that. I want to deal with that through our community planning strategy.<sup>128</sup>

125 GHD, September 2009, *Report for Crown Land Management Plan for the Indian Ocean Territories, Cocos (Keeling) Islands*, p. 1.

126 GHD, September 2009, *Report for Crown Land Management Plan for the Indian Ocean Territories, Cocos (Keeling) Islands*, p. 1; GHD, September 2009, *Report for Crown Land Management Plan for the Indian Ocean Territories, Christmas Island*, p. 1.

127 Attorney-General's Department, Mr Julian Yates, *Transcript T1*, p. 3.

128 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 27.

- 4.155 AGD added that it will consider further recommendations contained in the CLMP ‘based on the needs of the local communities’ in consultation with the Shires.<sup>129</sup>

## Land release and development

- 4.156 AGD advised that land release decisions are usually made after receiving advice from the WA Department of Lands and the responsible local shire.<sup>130</sup>
- 4.157 The CLMP will be used ‘to identify priority areas for development and ensure land release decisions are taken consistently. It will inform land planning discussions between the Department, the Shires and the local community.’<sup>131</sup>
- 4.158 Two identified priorities for action include the Light Industrial Area and Chicken Farm site on Christmas Island, and the former Quarantine Station on the Cocos (Keeling) Islands.
- 4.159 In regard to the Light Industrial Area, the CLMP has recommended an Outline Development Plan (ODP). AGD advised the draft ODP will be circulated in the near future. In regard to the Chicken Farm site, in accordance with the CLMP, AGD has issued an expression of interest for development.<sup>132</sup>
- 4.160 More broadly, in regard to waiting times for development approvals, AGD commented that it is considering alternative ways to streamline the development approvals process and stated:

... the approvals process for the Territories does require compliance with both applied state and Commonwealth legislation. Any development in a Commonwealth area in the Territories is subject to the *Environmental Protection and Biodiversity Conservation Act 1999* in addition to applied Western Australian legislation. The Department is considering ways to streamline the approvals process, including active management of specific developments.<sup>133</sup>

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129 Attorney-General’s Department, *Submission 15.5*, p. 2.

130 Attorney-General’s Department, *Submission 15.5*, p. 2.

131 Attorney-General’s Department, *Submission 15.5*, p. 2.

132 Attorney-General’s Department, *Submission 15.5*, p. 2.

133 Attorney-General’s Department, *Submission 15.5*, p. 3.

## Conclusions

- 4.161 The limited portion of available land released for development combined with the high cost of construction in the Indian Ocean Territories (IOTs) has acted as a disincentive for private sector investment in commercial development. This in turn has kept the local construction industry small and created a shortage of qualified local tradespeople. More broadly, it appears these factors have contributed to a housing shortage in the IOTs.
- 4.162 On Christmas Island, rents have increased significantly and with the limited availability of houses for sale and the recent significant increase in house prices, residents may have been locked into renting.
- 4.163 In a related matter, the committee heard evidence that the process for public housing tenants from Blocks 408 and 412 Kampong, Christmas Island has halted without explanation. Given the housing shortage and the pressures on the local rental market, the committee suggests the Attorney-General's Department (AGD) initiate dialogue with tenants to resolve the matter.
- 4.164 On the Cocos (Keeling) Islands, there is overcrowding in some houses on Home Island and due to pressure on existing utilities and limited fresh water, there is no potential for the Shire of Cocos (Keeling) Islands to construct additional houses. However, there is some capacity on West Island at the former Quarantine Station site, for AGD to provide additional housing. The committee suggests the Commonwealth should transfer ownership of the housing and facilities located at the former Quarantine Site to the Shire of Cocos (Keeling) Islands, which would assist in relieving the pressure on housing supply on the islands.
- 4.165 The committee acknowledges the housing shortage in the IOTs needs to be urgently addressed and the Shire councils in consultation with AGD, examine existing land use and release policies and take measures to investigate the feasibility of low cost, low impact residential construction options. In the longer term, if these measures were implemented, house prices and rents could fall, investment in residential development would likely increase and local employment opportunities would improve.
- 4.166 A number of cases were also highlighted where development was either hindered or halted because of land policy related issues where heritage, environmental or general approvals were required. The committee believes these issues require resolution and a concerted approach is needed to assist with encouraging investment from commercial development.

- 4.167 The Crown Land Management Plan (CLMP) is designed to inform future planning decisions by assessing the conservation, economic, cultural and social values of Crown land. The committee believes the CLMP is an important plan for attracting investment and assisting economic development on the IOTs and should include a land release and development strategy arrived at through continuing community consultation.

### **Recommendation 17**

- 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**

- 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.**

## **The impact of climate change**

- 4.170 In 2008, AGD commissioned a report on the 'Climate change risk assessment for the Australian Indian Ocean Territories' (the climate change report). The climate change report made predictions from now until 2030 and then through to 2070 and a number of findings regarding the possible environmental impact of changes in weather patterns that may be experienced by the IOTs into the future.<sup>134</sup>
- 4.171 The climate change report found the IOTs to be vulnerable to the potential impacts of climate change with a 'magnitude of exposure, vulnerability

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<sup>134</sup> Attorney-General's Department, *Submission 15*, p. 23.

and risk associated with these changes.’ The Cocos (Keeling) Islands was found to be at greater risk of experiencing the effects of climate change than Christmas Island.<sup>135</sup>

- 4.172 In addition, the IOTs may be affected by a rise in sea temperature which could have a detrimental impact on marine ecology and would negatively impact on tourism.<sup>136</sup>
- 4.173 Included in the climate change report are the key vulnerabilities which include risks to: human health and safety, buildings and infrastructure and economic development and tourism.<sup>137</sup>
- 4.174 AGD stated it is working with the Department of Climate Change and the IOTs communities on strategies to develop local capabilities to ‘adapt to the impacts of climate change and build resilience.’<sup>138</sup>

## Christmas Island

- 4.175 Christmas Island is less vulnerable to the impact of rising sea levels than the Cocos (Keeling) Islands. AGD noted ‘human settlement and a small tourism industry based on ecological systems may be impacted by climate change.’<sup>139</sup>
- 4.176 AGD stated Christmas Island, while not classified as a cyclone prone area, ‘had two significant cyclone events in March 1988 and April 2008’ with the impact of these extreme weather events experienced in Flying Fish Cove.<sup>140</sup>
- 4.177 The Shire of Christmas Island commented on the validity of the assumptions and predictions made in the climate change report in regard to sea level rise and stated:

Assumptions upon which certain conclusions of the Climate change report produced for the Attorney General's Department are now considered to be out of date. The anticipated change in sea level at Christmas Island by 2070 was thought to be an increase of 60cm. At the time the report was delivered the consultants informed us that the rise in sea level could be up to 3 metres not

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135 Attorney-General’s Department, *Submission 15*, p. 23.

136 Attorney-General’s Department, *Submission 15*, p. 23.

137 Maunsell/AECOM, January 2009, *Climate change risk assessment for the Australian Indian Ocean Territories*, Maunsell Australia, Canberra, p. iii.

138 Attorney-General’s Department, *Submission 15*, p. 23.

139 Attorney-General’s Department, *Submission 15*, p. 23.

140 Attorney-General’s Department, *Submission 15*, p. 23.

60cm as supposed before the report was delivered. There is likely to be a decrease in major storm events but an increase in the severity of the storms. We can expect longer dry periods and wetter wet periods.<sup>141</sup>

- 4.178 The Shire of Christmas Island highlighted the expected climate change impact on tourism and stated:

The anticipated changes in sea level due to climate change will affect planning for tourism developments in Settlement where land is allocated for tourism accommodation and services. The Shire needs to obtain additional capacity for planning if we are to lead our community's response to the challenges of climate change.<sup>142</sup>

## Cocos (Keeling) Islands

- 4.179 The climate change report found the Cocos (Keeling) Islands to be vulnerable to rising sea levels. AGD outlined the climate change impacts on the Cocos (Keeling) Islands and stated:

... storm surge and tropical cyclones. Most pass by without causing any significant damage. A small number of cyclones have caused severe damage during the last 150 years. However, increased sea levels and a predicted change in weather patterns may pose a greater risk to the community. The number of intense tropical cyclones (category 4 and 5) occurring within 500 km of the Cocos (Keeling) Islands is expected to double.<sup>143</sup>

- 4.180 In regard to monitoring sea level rises, the Shire of Cocos (Keeling) Islands stated:

Monitoring of the sea level of Cocos indicates that there has been a slow and continual increase in the sea level. This increase has been noticeable during episodes of higher than predicted high tides. These high tides have caused flooding in low lying areas and a rise in the saline level of the fresh water lenses on Home Island.<sup>144</sup>

- 4.181 Further, the Shire of Cocos (Keeling) Islands noted the importance of working on strategies to counter the economic impact of climate change and stated:

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141 Shire of Christmas Island, *Submission 24*, p. 14.

142 Shire of Christmas Island, *Submission 24*, p. 14.

143 Attorney-General's Department, *Submission 15*, p. 23.

144 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 4.

Climate change has been recognised as a factor that will affect the islands. It needs to be known as a tangible issue before people realise what the effects may be. With the height above sea level on Home Island and, to a slightly lesser degree, West Island, climate change should be taken into consideration for any future planning. The shire is keen to work with the government, the community of Cocos Islands and all other stakeholders to provide for the future of the islands and look for viable options to improve economic outcomes that will benefit the community as a whole.<sup>145</sup>

## Conclusions

- 4.182 Climate change, while having a global effect, is particularly detrimental to the IOTs economies as severe weather events usually impact on the natural environment and so have the potential to negatively affect the operation of the tourism industry.
- 4.183 Christmas Island has been less affected by climate change than the Cocos (Keeling) Islands and has experienced two extreme weather events throughout the period from 1988 to 2008. Alternatively, the Cocos (Keeling) Islands is particularly vulnerable to the effects of climate change and is already experiencing gradual, but continual sea level rises.
- 4.184 The committee supports risk assessment planning for climate change impact on the IOTs where appropriate and believes this planning should be incorporated into all business proposals, especially those involving economic development initiatives. The committee also supports initiatives to build local capability and resilience in regard to the impact of climate change.

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### Recommendation 19

- 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.**

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145 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, pp 3-4.



# Information communication technology

## Introduction

- 5.1 Affordable, reliable and modern information communication technology (ICT) is crucial for the provision of private and public sector services for the Indian Ocean Territories (IOTs). ICT includes those technologies which assist with digital and electronic communication such as: internet services, digital television, radio services and telecommunications. Improved ICT facilitates business development, assists with essential service delivery and provides connection with the mainland, which helps to mitigate the effects of geographic isolation.
- 5.2 There are two main options for improving communications for the IOTs: upgrading the existing satellite link and laying cable or creating a branching unit and spur from a new cable.
- 5.3 This chapter discusses the telecommunications and ICT requirements of the IOTs and options to improve current service provision.

## Internet services

- 5.4 The community based and member owned company – Christmas Island Internet Administration Limited (CiiA) is the only private sector Internet Service Provider (ISP) for the IOTs. CiiA provides both a wireless broadband internet service and a dial-up internet service. CiiA also provides a GSM<sup>1</sup> mobile telephone network on the Cocos (Keeling)

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1 Global system for mobile communications

Islands.<sup>2</sup> However, the mobile service provided on the Cocos (Keeling) Islands is subject to limited range and regular failure on West Island. On Home Island, the mobile network has been unavailable for over a year, due to an inability to source relevant parts.<sup>3</sup>

- 5.5 In addition to the private delivery of internet services, Government agencies such as the Attorney-General's Department (AGD) and the Department of Immigration and Citizenship provide their own internet service network.
- 5.6 The Government has recently approved \$11.3 million for a 'whole-of-government fibre optic solution for Christmas Island to connect the seven key Australian Government agencies located on Christmas Island.'
- 5.7 The Government has recognised the importance of improving internet services nationally and has implemented the Australian Broadband Guarantee (ABG) as a result. The ABG is aimed at assisting 'residential and small business premises access a metro-comparable broadband service.' The program is designed to target 'premises unable to access commercial metro-comparable services, particularly those living in remote parts of Australia.'<sup>4</sup>
- 5.8 Through the ABG, the Government 'subsidises the provision of metro-comparable services where such services are not available commercially including those premises which fall outside coverage of the National Broadband Network.'<sup>5</sup>
- 5.9 ABG defines a metro-comparable broadband service as 'any service that offers a minimum 512kbps download and 128kbps upload data speed, 3GB per month data usage at a total cost of \$2500 GST inclusive over three years (including installation and connection fees).'
- 5.10 The IOTs has access to communications services (including internet) through a satellite link. Provision of communication services for the IOTs is more expensive than the provision of similar services on the mainland. Satellite connections can also 'experience signal delays in transmission, or

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2 Christmas Island Internet Administration, *Submission 8*, p. 1.

3 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, pp 12-13.

4 Department of Broadband, Communications and the Digital Economy, Australian Broadband Guarantee, viewed 22 December 2009, < [www.dbcde.gov.au](http://www.dbcde.gov.au)>.

5 Attorney-General's Department, *Submission 15*, p. 12.

6 Department of Broadband, Communications and the Digital Economy, Australian Broadband Guarantee, viewed 22 December 2009, <[www.dbcde.gov.au](http://www.dbcde.gov.au)>.

latency, which impact on the response time for internet and ... limit functionality for some applications.<sup>7</sup>

- 5.11 Options to improve internet services include an upgrade of the satellite link or laying and accessing cable.

## Standard of internet service delivery

### Christmas Island

- 5.12 Under the ABG, services offered by CiiA are considered to be metro-comparable and so its subscribers are not eligible to receive a subsidised service.<sup>8</sup>
- 5.13 However, CiiA stated the metro-comparable service it operates is 'less than what most Australians can access in metropolitan areas on the mainland. CiiA advised that 'this has been a source of confusion and frustration for many subscribers, especially new arrivals, as they expect the same quality of service on Christmas Island as they had on the mainland.'<sup>9</sup>
- 5.14 In regard to its ineligibility to receive subsidy under the ABG, CiiA stated:
- We applied for the ABG program and jumped through all the hoops but we were knocked back. This is one of the bizarre situations where, if we were not providing a metro-comparable service, essentially the Commonwealth would fund another provider to churn approach our clients. So we have the choice of basically delivering a metro-comparable service or not. We are quite happy, in other words, as far as the costs of deploying the technology required to deliver broadband is concerned, we can do that within our existing business model, but to improve the service or to deliver an enhanced service we cannot meet the recurring satellite cost.<sup>10</sup>
- 5.15 CiiA stated it is working towards providing better coverage and reliability of internet services to its subscribers with the upgrade of the point to point wireless backbone between wireless base stations and installation of a new tower to improve coverage. In addition, CiiA is working towards installation of a new satellite delivery system based out of the mainland.

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7 Attorney-General's Department, *Submission 15*, p. 12.

8 Attorney-General's Department, *Submission 15*, p. 12.

9 Christmas Island Internet Administration, *Submission 8*, p. 1.

10 Christmas Island Internet Administration, Mr Garth Miller, *Transcript T4*, p. 61.

With satellite base stations located on Christmas Island, the Cocos (Keeling) Islands and Perth, this would:

- 'enable CiiA to offer better performance to customer's through better bandwidth control
- enable larger entities to run their own private Wide Area Network link (eg. [Connection from the] local school directly [to] the Education Department)
- reduce latency to mainland Australia destinations by up to 40 percent.<sup>11</sup>

5.16 The Shire of Christmas Island commented that Christmas Island's ability to compete commercially relies on improving communication services. The Shire of Christmas Island explained:

... the future of Christmas Island will increasingly be determined by our ability to produce services and products that must utilise the most up to date communications systems. We will not be able to compete at home or abroad if we are not at the same level of speed and efficiency attainable in Perth, Jakarta or Broome. Our future will depend increasingly upon communications based businesses including research and education.<sup>12</sup>

5.17 Mr John Hibbard stated delivery of adequate bandwidth would improve the delivery of health and education services for the IOTs. In addition, without improvements in bandwidth, infrastructure improvements would not be worthwhile. Mr John Hibbard stated:

With the trend to e-government and e-business, Christmas Island will be increasingly disenfranchised through substandard connectivity to the internet. Without improved links to the mainland, development of better telecommunications on the island is a waste of money as effective use of any enhanced infrastructure is effectively nullified.<sup>13</sup>

5.18 Taking into account the situation created if CiiA ceased its operations, the Department of Broadband, Communications and the Digital Economy (DBCDE) stated:

If the Christmas Island Internet Association were to confirm its withdrawal from service provision, subject to funds availability,

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11 Christmas Island Internet Administration, *Submission 8*, p. 2.

12 Shire of Christmas Island, *Submission 24*, p. 1.

13 Mr John Hibbard, *Submission 17*, p. 1.

the ABG program could seek expressions of interest from providers registered under the program to provide services to these Territories. At least one provider has previously expressed interest in providing services under the ABG for these Territories, if there were no metro-comparable services being offered commercially.<sup>14</sup>

- 5.19 CiiA noted that there was virtually no interest from the private sector in providing ISP services to the IOTs and stated:

There were some metro-comparable people approved that we had failed discussions with coming up here. But none of them seemed interested in retaining a full time presence on the island and none of them had any ideas for doing anything better, so we figured that there was not much point, truthfully. We would be quite happy, in other words, if some large provider that could access significant funding from the Commonwealth wanted to put in a next-G network or anything like that. If there is someone who has a better solution for the community, we would be quite happy to exit.<sup>15</sup>

### Cocos (Keeling) Islands

- 5.20 The Shire of Cocos (Keeling) Islands advised that communications services on the Cocos (Keeling) Islands are inadequate and expensive and stated:

Communications services to Cocos are similar to that received by most isolated mainland regions; however the continuity and speed of the service, particularly in regard to internet, telephone and mobile service leaves much to be desired.<sup>16</sup>

- 5.21 The Shire of Cocos (Keeling) Islands outlined the importance of adequate and efficient internet services in conducting business and for general use by the community. The Shire of Cocos (Keeling) Islands stated:

The provision of a more efficient and effective internet connection is pivotal to many areas of business and to satisfy the needs of the community members. We can hope that the Indian Ocean Territories are considered somewhere in the Rudd Government's

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14 Department of Broadband, Communications and the Digital Economy, *Submission 27*, p. 2.

15 Christmas Island Internet Administration, Mr Garth Miller, *Transcript T4*, p. 66.

16 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 1.

program to revolutionise Australia's telecommunications landscape with the rollout of the National Broadband Network.<sup>17</sup>

- 5.22 The Cocos (Keeling) Islands High School highlighted the need for having an adequate internet service and stated that it had all the relevant information technology equipment, but that it was still disadvantaged in accessing professional development online resources and in making contact with colleagues on the mainland. The Cocos (Keeling) High School stated:

We are in line with the Department of Education and Training in Western Australia. They are in a process of putting out online teaching and learning strategies across the state, which requires broadband access to be used. It is not only online resources; it is professional development for staff and linking teachers up with other teachers in different areas. There is quite a huge program being rolled out. Unfortunately, on Cocos Island we have not been able to get involved in that because the straw that our internet comes through is just too small. So that is certainly an issue.<sup>18</sup>

## Current cost of internet service delivery

- 5.23 The cost of providing internet services to the IOTs is higher than on the mainland. Higher costs are incurred because there are a low number of dispersed subscribers. In addition, high freight costs and shipping delays add costs to replacing parts and equipment.<sup>19</sup>
- 5.24 CiiA pays over \$24 000 per month for satellite bandwidth and services 250 residential and 30 small business subscribers. Internet access for residential subscribers is priced at \$69 per month and \$225 per month for business subscribers. Under DBCDE guidelines, an ISP can charge its subscribers a maximum of \$79 for similar services.<sup>20</sup>
- 5.25 CiiA stated it can not meet its satellite costs through its subscribers and so supplements its income through domain name sales. CiiA stated:

Our costs are about \$25,000 a month just for our satellite link, which is more than our total subscriber revenue – not even a covering of wages or the office. We supplement that income with revenue from domain name sales, so we get \$22,000 a month from

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17 Shire of Cocos (Keeling) Islands, *Transcript T5*, p. 2.

18 Ms Heather Prance, *Transcript T5*, p. 38.

19 Christmas Island Internet Administration, *Submission 8*, p. 2.

20 Christmas Island Internet Administration, *Submission 8*, p. 2.

the company which runs .CC and we have \$4,000 or \$5,000 a month, so \$600,000 or \$700,000 a year is our total gross and about half of that comes from domain name and about half from running the ISP. Without that revenue, we would be insolvent.<sup>21</sup>

- 5.26 CiiA upgrades its internet service by purchasing additional bandwidth through the satellite delivery system with 'the cost of purchasing the bandwidth ... the main constraint on improving the speed of broadband services.'<sup>22</sup>

## Options for improving quality of internet service delivery

### Satellite versus cable

- 5.27 CiiA advised there are two areas where broadband in the IOTs needed improvement: speed and internet capacity, and distribution. Improvements to internet capacity could be achieved through either upgrading satellite technology or laying and accessing cable. CiiA favoured an upgrade of the existing satellite technology to deliver improved broadband and stated:

At this time the only way to bring bandwidth to the Territories is by satellite. Latency over satellite makes this relatively slow and expensive. Unless the Commonwealth wants to spend tens of millions [of dollars] running fibre [optic cable] to the Territories, satellite is the only option. Even if fibre [optic cables] were landed in the Territories, the local exchanges and copper networks would need to be upgraded to enable a [digital subscriber line] DSL - costing many millions [of dollars] more. ...For the foreseeable future a satellite link to the mainland and wireless distribution in the Territories is the only sensible way to deliver broadband.<sup>23</sup>

- 5.28 CiiA commented that Government funding is required to assist with upgrading satellite technology for an improved internet service and stated:

If we are looking at concrete things that the Commonwealth could do, we could bear the cost of putting people online. As to the recurring costs, the only mechanism that works in the short to medium term would be if the Attorney-General's Department,

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21 Christmas Island Internet Administration, Mr Garth Miller, *Transcript T4*, p. 60.

22 Shire of Christmas Island, *Submission 24*, p. 1.

23 Christmas Island Internet Administration, *Submission 8*, p. 3.

through some mechanism, essentially subsidised the link. Maybe the easiest way to do that – and we have had some early discussions with them – is if they purchase a link from us for redundant use which they would make available to the community if they did not need it. They seemed interested in doing that, on both Cocos and Christmas Islands. If we had a wish list, that would be on it. That is not possible to do until we have the infrastructure in place.<sup>24</sup>

5.29 The Christmas Island Chamber of Commerce (CICC) sponsored feasibility study on the comparison of cable and satellite technology outlined two possible options to improve Christmas Island’s communications. The first and preferred option was to take a spur off the planned cable running from Jakarta to Perth and the second was to expand existing satellite services.<sup>25</sup>

5.30 According to the feasibility study, upgrading the satellite link was found to be more expensive compared to the cable option and could not deliver value on investment and further, would limit the scope for future development of services on Christmas Island. The feasibility study found:

The alternative of using satellite to provide similar services has been examined and our analysis shows that it is substantially more expensive at a starting cost of \$2.8M [million] per annum for a comparable offering. This produces an NPV<sup>26</sup> of \$41M over the 15 year period. Even if we forego the health and education benefits, the NPV is still \$20M. As the satellite alternative is both technically and economically inferior to the cable alternative, it will limit the scope for the development of internet, health, education and business services for Christmas Island.<sup>27</sup>

5.31 In regard to the cable option, Mr John Hibbard advised that Christmas Island could take advantage of a greater internet capacity at a cost of about 10 percent of a new cable, by investing in a branching unit and spur, similar to the method used by Papua New Guinea (PNG). Mr Hibbard explained:

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24 Christmas Island Internet Administration, Mr Garth Miller, *Transcript T4*, p. 62.

25 The Christmas Island Chamber of Commerce, *Submission 19*, p. 1.

26 Net present value is the difference between present value of cash inflows generated by the project and the amount of the initial investment. Shim J K and Siegel J G, 1995, *Dictionary of Economics*, John Wiley and Sons, Brisbane, p. 250.

27 Hibbard Consulting, July 2008, *Christmas Island’s communications: A comparison of cable and satellite*, Hibbard Consulting, Westleigh, pp 1-2.



Recent technological developments in the submarine cable field have produced a Branching Unit where a small amount of capacity can be picked off without affecting the mainstream traffic.

Currently PNG is exploiting this where it is servicing its northern coast through an 80 km spur using such a branching unit. In doing so, it is getting relatively abundant capacity for a small fraction of the cost of a dedicated cable, something which would be outside its financial reach.<sup>28</sup>

- 5.32 Investing in a branching unit and spur would yield a capacity up to '10GBPS (or 4000 times the current 2.5Mbps of capacity servicing the island)', with a possible design life of 25 years. To be able to siphon off internet capacity from an existing cable would require a cable to be laid in the proximity of Christmas Island. In addition, 'there seems to be no great technical challenge' to provide a spur on an incremental basis.<sup>29</sup>
- 5.33 There 'are a number of proposals by private enterprise to lay a fibre optic cable between South East Asia and Western Australia' (WA) with the cost to include Christmas Island currently very prohibitive. However, the WA Government is seeking to develop partnerships which could reduce the cost of the cable option.<sup>30</sup>

### The Gershon Report

- 5.34 In August 2008, Sir Peter Gershon delivered his review of the *Australian Government's use of information and communication technology* (the Gershon Report). The Gershon Report focused on 'the efficiency and effectiveness of the Australian Government's current use of ICT, to determine whether the Government is realising the greatest return from its investments in ICT, and to examine whether the right institutional arrangements are in place to maximise the return.'<sup>31</sup>
- 5.35 The Gershon Report makes recommendations to reform governance, capability, skills, data centres, ICT spending and the sustainability of ICT. These recommendations are to be implemented over a two year period, ending in June 2011.<sup>32</sup>

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28 Mr John Hibbard, *Submission 17*, p. 2.

29 Mr John Hibbard, *Submission 17*, p. 2.

30 Attorney-General's Department, *Submission 15*, p. 12.

31 Sir Peter Gershon, August 2008, *Review of the Australian Government's use of information and communication technology*, p. iii.

32 Sir Peter Gershon, August 2008, *Review of the Australian Government's use of information and communication technology*, pp 3-5.

- 5.36 Arising from recommended reforms in the Gershon Report, AGD stated it is looking at a whole-of-government solution for ICT services on Christmas Island. This includes the requirements of the school and hospital and the consideration of community needs.<sup>33</sup>

## Conclusions

- 5.37 Internet services in the Indian Ocean Territories (IOTs) are currently provided through the Christmas Island Internet Administration Limited (CiiA). These internet services though classified as metro-comparable under the Government's Australian Broadband Guarantee (ABG), are not adequate to support a high level of economic growth and meet the requirements of modern service delivery.
- 5.38 CiiA is the sole Internet Service Provider (ISP) for the IOTs. CiiA advised it incurs high operating costs as it services a small, dispersed population, is limited in how much it can charge for its services and so can not recoup the costs of its operations through its subscribers.
- 5.39 If CiiA were to cease its operations, the Department of Broadband, Communications and the Digital Economy advised the committee it would seek to replace the ISP by seeking expressions of interest from ISPs registered under the ABG program. However, CiiA informed the committee that there appears to be no remaining interest from ISPs for the provision of internet services to the IOTs.
- 5.40 Taking into account the limited interest from ISPs in the current IOTs communications market, the possible costs involved in seeking expressions of interest and any problems which may be experienced in the transition of ISPs (if a replacement were found), the committee believes the Government should reconsider its approach under the ABG and provide funding for the current IOTs ISP.
- 5.41 A reliant, efficient and affordable internet service is required for the IOTs to: assist with improving communications, assist business operation and development, and improve the standard of essential service delivery in areas such as health and education.
- 5.42 The committee heard there are two options available to improve internet capability: upgrading satellite capacity, and laying or accessing cable.
- 5.43 The Christmas Island Chamber of Commerce sponsored feasibility study found that the cable option provides greater value for money than the

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33 Attorney-General's Department, *Submission 15.3*, Question 1.

upgrade of satellite technology. In addition, public-private partnerships could assist in lessening the costs of laying and accessing cable for the IOTs.

- 5.44 However, it is not possible to take advantage of the cable option in the immediate future as cables have not yet been laid in the proximity of the IOTs and time lags associated with taking up the cable option have not been considered.
- 5.45 As communication requirements in the IOTs need to be urgently addressed, upgrading satellite technology could be a more efficient and cost effective option in the short term. The cable option could be considered as the IOTs communication needs develop into the longer term. Enhanced satellite communications could assist the current ISP to provide an improved internet service for the IOTs until access to cable could occur.
- 5.46 The committee believes that improvements to internet capability are required as soon as possible to assist with economic development and service delivery. As the IOTs ISP is small and provides a vital community service, the committee suggests the Government subsidise the upgrade of existing satellite technologies servicing the IOTs.
- 5.47 In addition, the committee supports a whole-of-government approach to improving internet and communication services as specified by the Gershon Report.

### **Recommendation 20**

- 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**

- 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.**

## Mobile telephony services

- 5.50 Each of the IOTs has its own mobile telephone service. Telstra provides a GSM mobile telephone network for Christmas Island and CiiA provides a GSM mobile telephone network for the Cocos (Keeling) Islands.
- 5.51 Market competition for telecommunications infrastructure and services in the IOTs is limited because:
- ... new providers may not view the Territories as an attractive commercial venture due to the remoteness, small consumer base and costs of infrastructure and service provision.<sup>34</sup>
- 5.52 Mobile telephone coverage on Christmas Island is limited to GSM access. The Telstra service provides for voice calls and SMS<sup>35</sup> messaging but excludes data transmission such as emails or images. Provided there is handset compatibility, visitors are able to access the mobile telephone service on Christmas Island through their existing phone company using international roaming.
- 5.53 The Shire of Christmas Island advised that current arrangements were agreed on between Telstra and the former Government when Telstra ceased its mobile telephone analogue network.<sup>36</sup>
- 5.54 The Shire of Christmas Island commented it would welcome a new arrangement that delivers an improved mobile telephony service similar to that in operation on the mainland. The Shire of Christmas Island asserted:
- ...the Commonwealth is responsible for ensuring these services are provided to the Territories at the standards that apply on the mainland for broadband internet, digital television and mobile telephony.<sup>37</sup>
- 5.55 On the Cocos (Keeling) Islands, the GSM mobile telephone network is outdated and replacement parts are difficult to find. CiiA stated, the mobile telephone network on the Cocos (Keeling) Islands:

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34 Attorney-General's Department, *Submission 15*, p. 11.

35 Short message service

36 Shire of Christmas Island, *Submission 24*, p. 3.

37 Shire of Christmas Island, *Submission 24*, p. 3.

... is ten years old and an artefact of a dot com era project. The GSM system is on its last legs, the manufacturer no longer exists and the hardware is well passed its used by date.<sup>38</sup>

- 5.56 Mobile telephone coverage on the Cocos (Keeling) Islands is limited.<sup>39</sup> The telephone service on Home Island 'went-down' nearly a year ago and because of the difficulty experienced in sourcing spare parts has not been working since. The service on West Island is subject to limited range and regular failure. The Shire of Cocos (Keeling) Islands stated:

The equipment is apparently very old and to get a spare part they have to source it from somewhere in the world. The Home Island service went down late last year and they have not been able to put it back into place because they cannot find the part that they need.<sup>40</sup>

- 5.57 The Shire of Cocos (Keeling) Islands also raised concerns about the impact on the reliability of its mobile telephone network on departure of the technician who services the mobile telephone network. There is a possibility the technician will not be replaced, creating a great cost in contracting-in this service on an ad hoc basis. The Shire of Cocos (Keeling) Islands stated:

The relocation of the serviceperson from Cocos leaves the systems potentially unserviceable. This same technician has been maintaining and servicing communications and computer equipment and is possibly leaving the island at the end of 2009. Businesses on Cocos are not large enough to sustain the employment of a full time technician to set up networks, provide software and hardware support, and service and maintain equipment including printers and photocopiers. It would be a costly exercise for flights, accommodation and possible downtime to enable a person with the knowledge to visit Cocos on a periodical basis.<sup>41</sup>

- 5.58 DBCDE stated that where subscribers do not have coverage from a terrestrial mobile service, they may be eligible for the Satellite Phone Subsidy Scheme. To be eligible, applicants must live, work or operate a business in an area of Australia not served by a terrestrial mobile phone service, including Australia's external territories, air space and Exclusive

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38 Christmas Island Internet Administration, *Submission 8*, p. 1.

39 Attorney-General's Department, *Submission 15*, p. 11.

40 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 12.

41 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p.3.

Economic Zone. For those parts of the Islands that do not have a working mobile phone service, residents would be eligible for a subsidy.<sup>42</sup>

## Conclusions

- 5.59 There is limited competition in the Indian Ocean Territories (IOTs) telecommunications infrastructure and services market as the IOTs is a small and remote market, which has high infrastructure investment costs with limited returns.
- 5.60 Telstra provides a limited mobile telephone service to Christmas Island and the Christmas Island Internet Administration Limited (CiiA) provides, a now outdated and unreliable mobile telephone service to the Cocos (Keeling) Islands.
- 5.61 The mobile telephone service on Christmas Island offers only voice calls and text messaging. Other services such as email and image messaging are not available.
- 5.62 The mobile telephone service on the Cocos (Keeling) Islands has a limited range, is prone to regular failure on West Island, and is currently not working on Home Island. As replacement parts are increasingly difficult to source and the technician servicing the network is leaving the Islands and may not be replaced, it is evident the mobile telephone network on the Cocos (Keeling) Islands needs urgent replacement.
- 5.63 A partial or unreliable mobile telephone service acts as a disincentive for business to use that mode of communication to conduct business and further can create time lags and frustrate potential customers, limiting business development.
- 5.64 Both mobile telephone networks in operation on Christmas Island and the Cocos (Keeling) Islands also disadvantage visitors who not own either a Telstra mobile telephone or may not be able to access a mobile telephone on the Cocos (Keeling) Islands.
- 5.65 The committee believes the mobile telephone networks and required infrastructure on both Christmas Island and the Cocos (Keeling) Islands need to be upgraded urgently, in line with services available in most areas on the mainland, with the purpose of improving communication and assisting business operation and development.
- 5.66 In addition, as it appears unlikely the private sector will provide investment for limited returns to upgrade telecommunications on the
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42 Department of Broadband, Communications and the Digital Economy, *Submission 27*, p. 1.

IOTs, the committee believes the Government should provide assistance for the provision of mobile telephone services.

- 5.67 The committee notes the Department of Broadband, Communications and the Digital Economy advised the IOTs could be eligible for the satellite telephone subsidy scheme. The committee believes the option to access funding under the satellite telephone subsidy scheme, to improve mobile telephone services on the IOTs should be explored.

## **Recommendation 22**

- 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.**

## **Radio services**

- 5.69 Australian Broadcasting Corporation (ABC) radio services available to the IOTs via the Optus Remote Area Broadcast Service (RABS) are:
- ABC Radio National via Intelsat
  - ABC Local Radio Northern WA
  - ABC Local Radio Gold Fields (Kalgoorlie)
  - ABC Classic FM
  - ABC Triple J
  - ABC News Radio.<sup>43</sup>
- 5.70 Radio Australia is the ABC's international radio and online service focusing on Asia and the Pacific, with services provided in eight languages.<sup>44</sup>
- 5.71 Radio Australia is delivered to the IOTs via satellite instead of the more reliable short wave service as the IOTs are outside Radio Australia's short wave footprint.<sup>45</sup>

43 Australian Broadcasting Corporation, *Submission 32*, p. 1.

44 Australian Broadcasting Corporation, Radio Australia, viewed 27 January 2010, <[www.radioaustralia.net.au](http://www.radioaustralia.net.au)>

- 5.72 Free, live online streaming of Radio Australia's radio services is also available depending on the online connectivity in the IOTs. No live sport is carried on Radio Australia's live online streams because of content rights issues. Even though Radio Australia's services are generally free to access, some sporting events are encrypted due to rights issues<sup>46</sup> and can not be accessed by free-to-air services in Australia.
- 5.73 The radio frequency used by regional ABC on Christmas Island is owned by the local radio station, VLU2 and shared with ABC regional radio, while Radio National, Red FM and Triple J each have their own frequencies.
- 5.74 Mr Kerry Walker was concerned that complete, live sporting coverage was unavailable via community radio on Christmas Island and advocated that a dedicated frequency be established for sporting coverage. Mr Kerry Walker stated:
- ...why can't ABC regional have its own dedicated frequency? I do believe that there is a place for community radio, and it goes very well on Christmas Island, but at peak times it clashes with my passion [sport]. Let us just stick with ABC regional, which covers sport. I cannot see why it cannot have a dedicated frequency.<sup>47</sup>
- 5.75 Mr Kerry Walker outlined his attempts at seeking a dedicated frequency for complete live sporting coverage and stated:
- I spoke to the then chairman of the radio here, which was Tony Smith. He gave me the address of the ABC general manager, whom I wrote to. He referred me to the island liaison officer. I ... negotiated with him for 2½ years, until he moved on. That was the end of that. ABC WA said it has nothing to do with them. They are told what to do by the government and the [representative of] the government [is] the island liaison officer.<sup>48</sup>
- 5.76 The ABC advised that it does not intend to establish local transmission facilities on the IOTs as it would be difficult to support a remote transmission service without dedicated infrastructure and personnel located on the IOTs.<sup>49</sup>

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45 Australian Broadcasting Corporation, *Submission 32*, p. 1.

46 Australian Broadcasting Corporation, *Submission 32*, p. 1.

47 Mr Kerry Walker, *Transcript T4*, p. 69.

48 Mr Kerry Walker, *Transcript T4*, p. 70.

49 Australian Broadcasting Corporation, *Submission 32*, p. 2.



- 5.77 However, the ABC stated it would fully support any Federal or State Government initiative to fund additional 'Self Help' transmitters and stated it would be 'pleased to provide technical assistance to the local authorities on establishing these services as it does in many remote areas of Australia.'<sup>50</sup>
- 5.78 The Australian Communications and Media Authority (ACMA) advised how a new community broadcasting licence to the residents of Christmas Island might be obtained and stated:

First, spectrum may be made available for temporary periods, under section 34 of the *Broadcasting Services Act 1992* (the BSA) for temporary community broadcasting purposes. Second, provision for long-term community broadcasting services is made by varying the relevant Licence Area Plan (LAP) under section 26 of the BSA. Once a community broadcasting service is shown as available in a LAP, the ACMA may make available a long-term community broadcasting licence for allocation.

The Christmas Island RA1 licence area in the Remote Western Australia Radio LAP makes spectrum available for one long-term community radio broadcasting service on Christmas Island. The licence for the 102.1 MHz and 105.3 MHz frequencies planned for a community broadcasting service is allocated to Christmas Island Community Radio Association Inc to serve the community interest of the general geographic area of Christmas Island. (The original licensee, Radio VLU2-FM Announcers Association Inc, changed its name to Christmas Island Community Radio Association Inc in September 2004.) During the process of renewing the licence in November 2007, the licensee indicated that it rebroadcasts the ABC Regional Radio service when there is no local programming. In 2007, the licensee indicated that it was broadcasting local programming for about 25 hours per week. There is currently no other spectrum planned for another community radio broadcasting service on Christmas Island.<sup>51</sup>

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50 Australian Broadcasting Corporation, *Submission 32*, p. 2.

51 Australian Communications and Media Authority, *Submission 28*, p. 2.

## Conclusions

- 5.79 Australian Broadcasting Corporation (ABC) broadcasts are available to the Indian Ocean Territories (IOTs) via satellite. VLU2 is Christmas Island's community frequency with programs shared with ABC regional radio, while Radio National, Red FM and Triple J all have their own frequencies.
- 5.80 Radio Australia is unable to provide a reliable short wave service to the IOTs because they are outside Radio Australia's short wave footprint. However, live online streaming of Radio Australia's radio services is available depending on the online connectivity in the islands. Unfortunately, no live sport is carried on Radio Australia's live online streams because of content rights issues and therefore residents cannot access some live broadcasts of sporting events as residents on the mainland can.
- 5.81 The ABC does not have plans to establish local transmission facilities on the IOTs and it would find it difficult to support a remote transmission service. However, the ABC would support any Federal or State Government initiative to fund additional 'self help' transmitters and provide technical assistance to the local authorities on establishing these services as it does in many remote areas on the mainland.

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### Recommendation 23

- 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.**

## Digital television services

- 5.83 Under a rebroadcast licensing arrangement, the IOTs receive television in a digital format via satellite. This television signal is then retransmitted on an analogue network. Both Christmas Island and the Cocos (Keeling) Islands receive selected WA television channels.<sup>52</sup>
- 5.84 The switch over from analogue to digital television in the IOTs will occur between 1 July and 31 December 2013 unless, due to the need to upgrade
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52 Attorney-General's Department, *Submission 15*, p. 12.

or replace the existing analogue broadcast equipment, it is decided to switch to digital transmission prior to 2013.<sup>53</sup>

5.85 The Government is pursuing discussions with broadcasters about the implementation of a satellite suite of digital free to air television services so that the IOTs may receive the same services which are available on the mainland.

5.86 In regard to the switch over from analogue to digital television, AGD advised it would engage in community consultation prior to switch over and stated:

... the department retransmits television broadcasts in the territories as a community service. Analog television is due to be switched off by the end of 2013 and we are preparing to commence digital broadcasts before this time. We will again be engaging in some community consultation about how we will implement the change from analog to digital television.<sup>54</sup>

5.87 The Shire of Christmas Island advocated that television services offered on the mainland also be made available on the IOTs and stated:

It is about standards. Is Christmas Island – and for that matter Cocos – to be treated the same as the rest of Australia? I was comforted by the idea that we are getting the digital signal off the satellite; it is just a matter of changing the distribution on the island.<sup>55</sup>

5.88 The Shire of Cocos (Keeling) Islands stated that the Cocos (Keeling) Islands receives two services. One service is for the standard four channels received in WA: WIN, ABC, SBS and GWN. The second service, transmitted to Home Island is for Malaysian and Indonesian television programs. A dedicated satellite dish has been provided by the Shire of Cocos (Keeling) Islands to residents of Home Island to enable Malaysian and Indonesian programs to be received.<sup>56</sup>

5.89 However, the dish is currently in poor condition and fees for its use have been waived as a result. However, it is anticipated that the Shire can repair or replace it in the very near future to avoid disruption to the important

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53 Attorney-General's Department, *Submission 15*, p. 12.

54 Attorney-General's Department, Mr Julian Yates, *Transcript T1*, pp 3-4.

55 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 5.

56 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T4*, p. 5.

social and cultural service the Malaysian and Indonesian television programs provide.<sup>57</sup>

## Conclusions

- 5.90 The switch over from analogue to digital television in the Indian Ocean Territories (IOTs) is due to occur between 31 July and 31 December 2013.
- 5.91 The IOTs currently receive television in a digital format from satellite which is then retransmitted through an analogue network. In addition to the programs received from Western Australia, Home Island on the Cocos (Keeling) Islands receives Malaysian and Indonesian television programs.
- 5.92 Evidence received suggests that current infrastructure to receive television signals could be upgraded to provide an improved service. The Attorney-General's Department (AGD) advised that if analogue infrastructure costs are higher than expected because of replacement or maintenance, then the switch over to digital television may occur sooner than 2013. The Shire of Cocos (Keeling) Islands also stated that it needed to repair the satellite dish it funds on Home Island.
- 5.93 The committee believes that by upgrading relevant infrastructure, the switch over to digital television for the IOTs could take place before 2013. The committee also understands and supports AGD's intention to undertake community consultation prior to the switchover from analogue television to digital television and highlights the importance of providing a television service for the IOTs which is comparable to that which is available on the mainland.

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57 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T4*, p. 6.

## Transportation

### Introduction

- 6.1 As a consequence of the Indian Ocean Territories' (IOTs) geographic distance from the mainland, its residents and businesses rely heavily on the importation of fresh food and other essential goods via air or sea freight. Any adverse impact on these services creates shortages within the IOTs communities and temporarily increases the cost of freighted goods.
- 6.2 In addition, regular air passenger services allow IOTs residents and businesses to access and maintain economic and social ties with the mainland. Adequate air passenger services also encourage travel to the IOTs providing economic benefits for the IOTs tourism industry.
- 6.3 The committee's 1995, 2004 and 2006 IOTs reports highlighted concerns about issues surrounding the operation of freight and passenger services. In particular, issues raised included the negative economic impact of the high cost, unreliability and inefficiency of sea freight services coupled with the high cost, irregularity and low capacity of passenger air transport.
- 6.4 Since those reports were released, issues surrounding the high cost and unreliability of freight and passenger services have remained major areas of concern for the IOTs. This chapter discusses the current challenges for IOTs residents and businesses in relation to the impact of the high cost and irregularity of air and sea freight and passenger transportation. Options to address the continuing transportation issues are also discussed.

## Sea freight and shipping services

6.5 Shipping provides the major freight link for the IOTs with food, consumer goods, fuel, plant and machinery all shipped to the IOTs from Perth. The Attorney-General's Department (AGD) stated:

... shipping is a vital supply and transport link for the Territories and regular shipping is essential to the viability of the Territories' communities.<sup>1</sup>

6.6 The IOTs are currently exempt from the coastal trade requirements in the *Navigation Act 1912* (Cwlth). These requirements provide that ships may trade between the mainland and the IOTs, and between Christmas Island and Cocos (Keeling) Islands, without a licence or permit for coastal shipping.<sup>2</sup>

6.7 Although the Government encourages competition for sea freight, the only regular sea freight cargo service to the IOTs is operated by Zentner Shipping Pty Ltd. AGD advised the IOTs sea freight industry is too small to support more than one shipping company and stated:

Although it is an open market, Zentner Shipping Pty Ltd is the only operator providing shipping services to the IOTs. The Government encourages competition in this market; however its small size and value make it unattractive to many shipping operators.<sup>3</sup>

6.8 Zentner Shipping provides a service which sails a loop between Fremantle, the Cocos (Keeling) Islands, Christmas Island and Singapore. Cargo vessels visit the IOTs approximately every four to six weeks. The current cost of shipping a 20 foot container to Christmas Island is \$6,670. The cost of shipping a 20 foot container to Home Island in the Cocos (Keeling) Islands is \$9,880. An additional charge of \$1,200 per container is applied to containers shipped to West Island in the Cocos (Keeling) Islands. Otherwise, containerised freight is charged at \$305 per cubic metre for Christmas Island and \$445 per cubic metre for the Cocos (Keeling) Islands.<sup>4</sup>

6.9 Mr John Sorensen raised concerns about the high cost of freight services and stated:

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1 Attorney-General's Department, *Submission 15*, p. 13.

2 Attorney-General's Department, *Submission 15*, p. 13.

3 Attorney-General's Department, *Submission 15.3*, Attachment A, p. 3.

4 Attorney-General's Department, *Submission 15*, p. 12.

...shipping to Christmas Island is far too expensive. Each new Minister responsible for the Territories in our time (near 20 years) has recognised this and promised to “fix it”. None have been able to - why?<sup>5</sup>

- 6.10 The Christmas Island Chamber of Commerce (CICC) also drew attention to the high cost of sea freight and raised concerns about the contributing factors to these costs and stated:

No effort has been expended in attempting to resolve heavy freight (Sea Freight) services to both Islands, and in fact the pricing for these services is still spiralling beyond the financial capacities of most Island businesses. Levies applied for such service interruptions like the crane breakdown are never rescinded despite the crane being brought back into service, and prices still continue to hike beyond the belief of all Islanders.<sup>6</sup>

- 6.11 In its 2006 report the committee recommended the Government investigate the cost of sea freight to the IOTs, with a view to streamlining operations and thereby reducing costs. Such a review would investigate the possibility of importing foreign goods to the IOTs using international operators for the transshipment of goods.<sup>7</sup>

- 6.12 In its response to the committee’s report, the then Government did not support the recommendation, stating:

Charges for port and airport services are maintained at comparable levels to communities on the mainland. An open market exists for sea freight between the IOTs and mainland Australia. Freight costs are subject to competition and reflect the costs associated with shipping relatively low volumes to a remote destination.<sup>8</sup>

- 6.13 The Shire of Christmas Island noted Tasmania receives a sea freight subsidy and advocated a similar arrangement could be applied to the IOTs. The Shire of Christmas Island stated:

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5 Mr John Sorensen, *Submission 2*, p. 4.

6 Christmas Island Chamber of Commerce, *Submission 19*, p. 2.

7 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and future governance arrangements for the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 51.

8 Minister for Local Government, Territories and Roads, June 2007, *Australian Government Response to the Report on Current and Future Governance Arrangements in the Indian Ocean Territories by the Joint Standing Committee on the National Capital and External Territories*, Canberra, p. 6.

The Commonwealth may have the resources to throw at this and say, 'We'll subsidise the freight service to Christmas and Cocos to make the place more liveable.' Certainly we have asked for that. We look at Tasmania. Part of Federation arrangements was that Tasmania came to the Federation on the basis that there was this imaginary highway across the Bass Strait so that shipping a kilo of tomatoes to Hobart would cost the same as distributing that kilo of tomatoes in Melbourne. So there is a fairly high subsidy for Tasmania. We do not have a great deal of bargaining power and we do appreciate that the Commonwealth does subsidise services on Christmas Island – but not this one.<sup>9</sup>

6.14 AGD advised the Tasmanian Freight Equalisation Scheme which is applied to sea freight across Bass Strait and:

... is designed to offset the high cost of short distance sea freight where there is no road or rail infrastructure. Road and rail infrastructure is more cost effective over short distances, while sea freight is more cost effective over longer distances.<sup>10</sup>

6.15 AGD noted that as the IOTs are situated more than 900 km from the nearest mainland port, sea freight is the more cost effective option. Furthermore, AGD advised 'to offset the increased cost of shipping any freight to the IOTs, goods and services in the IOTs are exempt from the Goods and Services Tax imposed on the mainland.'<sup>11</sup>

6.16 AGD added, the Government indirectly supports sea freight movement for the IOTs through:

- subsidised port charges on the use of Christmas Island port facilities, and
- a port upgrade at Rumah Baru on the Cocos (Keeling) Islands.<sup>12</sup>

## Christmas Island

6.17 The port at Flying Fish Cove on Christmas Island is owned by the Commonwealth with port services provided under contract by Patricks. The Harbourmaster is a Patricks employee who is responsible for all port operations. Pilotage, stevedoring and mooring services are provided by other private companies under non exclusive licences issued by the

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9 Shire Council of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 11.

10 Attorney-General's Department, *Submission 15.4*, p. 1.

11 Attorney-General's Department, *Submission 15.4*, p. 1.

12 Attorney-General's Department, *Submission 15.4*, p. 1.



Government.<sup>13</sup> Port traffic consists of shipments of consumer goods and shipments relating to the operation of the phosphate mine.

- 6.18 Private stevedoring services for Christmas Island are provided under three non exclusive licences with the Government which includes a hire agreement for the use of publicly owned port equipment.
- 6.19 AGD regulates port services through the application of Western Australian legislation. Services are funded by the Government and charges are collected for port usage.
- 6.20 Apart from port charges, additional costs are also imposed for stevedoring services. The current charges levied for stevedoring are \$560 for a full container and \$240 for an empty container. These charges include pilotage, demurrage and hiring fees. Stevedoring costs on Christmas Island have not increased since 1995.<sup>14</sup>
- 6.21 The port at Flying Fish Cove is physically unusual, difficult and potentially dangerous. Vessels are moored to specialised 'deep sea' mooring buoys which have the holding power and flexibility to allow vessels of up to 190 metres to berth. Due to bad weather and the unique physical characteristics of the port, there are times between October and March when it is difficult to moor shipping vessels. According to AGD:
- The port cannot be classified as a 'safe port' in all weather conditions.... it can be closed when weather conditions are moderately bad to severe. The port's northerly aspect exacerbates these problems. About 30 days a year are lost due to bad weather – mostly during the October to March monsoon period – when the wind blows from the north.<sup>15</sup>
- 6.22 The Shire of Christmas Island noted that as the freight shipping service to Christmas Island is a commercial, unsubsidised operation, if a shipping company's costs increase because of unforeseen delays, these costs will be directly passed onto the consumer. The Shire of Christmas Island stated:
- There was an \$845 per container surcharge in 2006 because there were two problems. The swell season delays the ships getting into port and unloading for up to three or four weeks, so the ship can either go and do other business or hang out there hoping for the swell to go down. The complicating factor in 2006 was the failure of the new crane, which meant that there was no crane to unload

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13 Attorney-General's Department, *Submission 15*, p. 13.

14 Attorney-General's Department, *Submission 15*, p. 13.

15 Attorney-General's Department, *Submission 15*, p. 14.

the ships. The getting of spare parts took some time and getting the work done to repair the crane took some months. So the shipping company recovered their losses by applying a surcharge of \$845 per container to ship to Christmas Island, for many months. I cannot recall exactly when the surcharge was lifted, but it took some pressure to get it lifted.<sup>16</sup>

6.23 In addition to receiving freight, the Christmas Island Port also services the shipping needs of Christmas Island Phosphates (CIP). AGD noted that if the mine were to close, there would be an accompanying contraction to the volume of cargo being shipped, with the effect on overall port services indeterminable.<sup>17</sup>

6.24 In regard to the feasibility of taking advantage of the capacity of incoming empty phosphate ships to provide cargo services, the Shire of Christmas Island stated:

The mining company now refuses to accept the constraints and costs imposed on its business by its ships carrying and unloading inbound freight.<sup>18</sup>

6.25 The Shire of Christmas Island noted that the high cost of goods and services including fresh food is directly attributable to the high cost of freight. Further, the Shire of Christmas Island stated 'the lack of healthy affordable fresh food is an oft quoted reason for people leaving Christmas Island.'<sup>19</sup>

## Cocos (Keeling) Islands

6.26 Cocos (Keeling) Islands residents rely on the ferry service which crosses the lagoon between West and Home Islands, and on marine services for freight handling between islands. Some fresh produce arrives on the Cocos (Keeling) Islands by air, but a significant amount arrives by ship in refrigerated or freezer containers.

6.27 The Cocos (Keeling) Islands' port facilities are managed in the same way as those on Christmas Island with infrastructure owned by the Commonwealth and services contracted to Patricks.

6.28 The port infrastructure on Home Island comprises the wharf, the slipway and the crane. On West Island, a jetty is used for the passenger ferry

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16 Shire Council of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 10.

17 Attorney-General's Department, *Submission 15*, p. 16.

18 Shire of Christmas Island, *Submission 24*, p. 3.

19 Shire of Christmas Island, *Submission 24*, p. 3.

service only, while freight is transported to the Island directly over a beach. A landing barge owned by the Cocos Islands Co-Operative Society (CICS) and a publicly owned 'dumb' barge are used to transfer containers from ships and between West and Home Islands.

- 6.29 Shallow water prevents arriving ships to directly unload cargo to the wharf, instead, a ship unloads its cargo onto a dumb barge, located in a deep part of the lagoon. Up to 30 containers can be carried at once in this way, but the usual consignment to the Cocos (Keeling) Islands is about eight containers each time a ship arrives. The landing barge then moves the dumb barge back to the Home Island wharf where the containers unloaded.
- 6.30 Freight containers for West Island are first unloaded at Home Island, and then reloaded (with a weight limit of 17 tonnes) so that they can be transported by the landing barge to the other side of the lagoon. Mounted on a trailer on the deck, each container is transferred one at a time by the landing barge to a point just south of the West Island jetty. From there a bulldozer drags the trailer with the container across the beach, from where it is towed to West Island.
- 6.31 Diesel and airline fuel is freighted to the Cocos (Keeling) Islands biannually. Fuel is transferred from the ship to the tanks on West Island via a pipeline on the lagoon floor and then along the West Island Jetty. Fuel for Home Island, including that needed for the power station, is transported in isotainers<sup>20</sup> from West Island back across the beach to the landing barge to the Home Island Wharf.
- 6.32 In December 2008 in an effort to improve port facilities for the Cocos (Keeling) Islands, the Government awarded a contract to construct new passenger and freight handling facilities at Rumah Baru on West Island. Construction of the project started in April 2009 with completion expected in March 2010.<sup>21</sup>
- 6.33 The Shire of Cocos (Keeling) Islands commented about the negative impact of the high cost and irregularity of sea freight services and the resulting adverse effects on industry development. The Shire of Cocos (Keeling) Islands stated:

... freight costs for shipping are prohibitive for industry for importing materials and exporting goods from the islands. The

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20 An isotainer is a tank in a standard ISO 20 ft. x 8 ft. x 8ft 6in. (about 6 m x 2.4 m x 2.5 m) frame, designed to be carried on board container ships.

21 Attorney-General's Department, Mr Julian Yates, *Transcript T1*, p. 2.

current cost for shipping is up to four times that for shipping a similar distance anywhere in the world. The regularity of the service has been questionable, with the monthly cycle rarely met.<sup>22</sup>

Prior to the last couple of months, the ship was very irregular and a six-weekly ship run would end up being stretched out by quite a lot. Between the cost and the actual reliability of the service, it does impact quite a lot on anyone having to order goods. That does make it hard for retailing and catering. To continue a business, they might have to pay extra to get goods on the plane, and then it is a huge cost.<sup>23</sup>

- 6.34 Mr Clunies-Ross stated that the optimal timeframe for movement of cargo from the mainland to the Cocos (Keeling) Islands is five weeks but noted there were occasions in the previous year where this timeframe almost doubled, negatively impacting small business operators. In particular, Mr John Clunies-Ross highlighted the cash flow and stock management problems experienced by small businesses as a result of shipping delays and stated:

When shipping was more frequent and reliable, there was a requirement to hold only six weeks stock of basic goods. This is as true for the shop, pub and any small business. Once the frequency drops away, then stock levels must rise. This causes cash flow problems for business. Holding stock is expensive, and does not add to profit margins. This is then exacerbated by the lack of reliability, a 6 weekly service that comes in after 10 weeks will require businesses to hold 12 or 13 weeks worth of stock. Where the business must deal in produce or product which ages, then stock value deteriorates. Stock value starts to disappear on consignment to the consolidator's yard, and after two months delay is hardly worth shipping. The overall situation has steadily got worse, and the publication of shipping schedules is regarded as an ongoing joke.<sup>24</sup>

- 6.35 To improve shipping services for the Cocos (Keeling) Islands, Mr Clunies-Ross advocated the Government stimulate competition by contracting out shipping services. Mr Clunies-Ross stated:

There is no downside to the Commonwealth entering into a service delivery arrangement or contract with a shipping company

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22 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 3.

23 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 12.

24 Mr John Clunies-Ross, *Submission 7*, p. 2.

as they have with an airline. It will allow the service to be framed in an acceptable frequency and cost. A three to four yearly contract renegotiation or renewal will allow market influence to enter in a non destructive, but competitive manner.<sup>25</sup>

- 6.36 CICS advocated that, in regard to shipping services, the Government should ensure:
- 'value for money – maximising taxpayer's dollars
  - a consistent and reliable service
  - accountability in regard to prices.'<sup>26</sup>

## Conclusions

- 6.37 The geographic isolation of the Indian Ocean Territories (IOTs) means it relies on air and sea freight for fresh food and other essential goods such as fuel, plant and machinery.
- 6.38 While the Government encourages competition for shipping services to the IOTs, the IOTs shipping industry is only large enough to support one company. As demand for sea freight services for the IOTs is relatively stable, the high price of sea freight is unlikely to be reduced through market forces. As a result, the high cost of sea freight directly contributes to the price of consumer goods for the IOTs.
- 6.39 The committee's 1995, 2004 and 2006 IOTs reports highlighted the negative impact of high sea freight costs on the standard of living for IOTs residents and the sustainability of business. The high cost of sea freight contributing to the high price of consumer goods has continued to present a major challenge for the IOTs.
- 6.40 The Government has sought to offset the high cost of sea freight through indirect means such as charging low port fees on Christmas Island and through investment of port infrastructure with the construction of the Rumah Baru port for the Cocos (Keeling) Islands.
- 6.41 Sea freight costs for Christmas Island are more likely to be volatile from October to March as a result of shipping delays caused by inclement weather and the subsequent inability of ships to moor at Flying Fish Cove. As shipping and freight services are provided by a private sector company, costs associated with delays are directly passed onto consumers.

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25 Mr John Clunies-Ross, *Submission 7*, p. 3.

26 Cocos Islands Co-Operative Society Limited, *Submission 26*, p. 3.

- 6.42 On the Cocos (Keeling) Islands, unloading cargo is an onerous task, which is expected to improve once the port facilities at Rumah Baru are completed in March 2010.
- 6.43 The committee acknowledges the high cost of sea freight is continuing to erode the standard of living on the IOTs and act as a disincentive for business development and so should be addressed.
- 6.44 Suggestions to improve the frequency, cost and reliability of sea freight and shipping services for the IOTs includes Government subsidisation of sea freight and entering into a contractual agreement with shipping service providers, stipulating frequency and cost of service.
- 6.45 In addition, the Attorney-General's Department advised goods and services in the IOTs are exempt from the Goods and Services Tax as a measure to offset the increased cost of shipping any freight to the IOTs. Notwithstanding this measure, the price of goods and services in the IOTs are still high.
- 6.46 The committee believes that as market forces are unable to bring down the cost of sea freight and shipping services for the IOTs and reliance on these services is essential to living and conducting business in the IOTs, the Government should provide a subsidy for this service.

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#### **Recommendation 24**

- 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.**

### **Air freight and passenger travel**

- 6.48 Air services are the sole method of passenger travel to the IOTs. In addition, air freight delivers mail, perishable and other time-sensitive goods to the IOTs.
- 6.49 The provision of airline services is a critical component to the long term economic development of the IOTs. Since 1997, the Government has underwritten the domestic air service between the IOTs and Perth<sup>27</sup> and

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27 Attorney-General's Department, *Submission 15*, p. 15.

supported air freight and passenger movement for the IOTs indirectly through:

- underwriting air freight services from the mainland, allowing for the timely transportation of fresh food and consumer goods
- waiving of landing fees for air services from the North, which supply both passenger and freight services.<sup>28</sup>

6.50 In its 2006 report, the committee made several recommendations regarding air freight and passenger travel for the IOTs. The committee found that access by air to the IOTs required improvement and recommended that increasing the number of flights underwritten by Government would be a simple and cost effective means of improving accessibility.<sup>29</sup>

6.51 The committee's recommendation involved increasing the number of flights between the mainland and the IOTs under the existing contract, and inviting international carriers to extend their services.<sup>30</sup>

6.52 In its response to the committee's report, the then Government did not support this recommendation and stated:

The Australian Government currently assists the operation of two flights per week between Perth, Christmas Island and the Cocos (Keeling) Islands by National Jet Systems (NJS). The flights are currently made using a British Aerospace BAE Avro RJ70, which is fitted to carry both passengers and air freight. The Department of Transport and Regional Services (the Department) administers a contract with NJS under which the Government provides funding to NJS if its revenue from these flights does not reach an agreed level. NJS is able to apply to the Department to include additional flights in the scheme if there is sufficient demand. Over the six months to December 2006, the Department approved 13 additional flights, subject to demand for those flights.<sup>31</sup>

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28 Attorney-General's Department, *Submission 15.4*, p. 1.

29 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and future governance arrangements for the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 53.

30 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and future governance arrangements for the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 53.

31 Minister for Local Government, Territories and Roads, June 2007, *Australian Government Response to the Report on Current and Future Governance Arrangements in the Indian Ocean Territories by the Joint Standing Committee on the National Capital and External Territories*, Canberra, p. 8.

- 6.53 Currently, the IOTs are serviced by a domestic air service operated by Cobham Aviation (formerly National Jet Systems) flying to Perth and an international service operated by the Australian Indian Ocean Territories Airlines (AIOTA) using a chartered Malaysian Airlines aircraft flying to Kuala Lumpur.<sup>32</sup>
- 6.54 Until August 2009, the domestic air service was operating twice weekly between Perth, Christmas Island and the Cocos (Keeling) Islands, after which time due to an increase in the demand for flights, services were increased to four flights per week. The increase in flights, not only allowed more flexibility for travellers, but provided the benefit of increased capacity and frequency of air freight services. In addition, AGD advised that a new fare structure had made air services more affordable. AGD stated:
- In response to heightened demand for air services consequential to ... increased activity, the department has recently increased the number of flights between Perth and the Territories to four services per week. Four services go to Christmas Island and three of those also include the Cocos (Keeling) Islands. This provides additional capacity for both passengers and airfreight. We have also introduced a new airfare structure that has made these services more affordable.<sup>33</sup>
- 6.55 In addition, more flights are often provided during peak demand periods such as school holidays and at Christmas time.<sup>34</sup>
- 6.56 AGD advised the air service contract was put to tender in 2008, but that 'the process was interrupted by the selected operator going into administration. The existing contract has been extended for a year to allow the service to be put to tender again in 2009.'<sup>35</sup>
- 6.57 At the end of 2009, AGD was in the process of preparing a new tender for air services and advised it anticipated the new tender would be released early in 2010.<sup>36</sup>
- 6.58 The contract was subsequently awarded to Virgin Blue and from April 2010, Virgin Blue 'will fly to the Cocos (Keeling) Islands on Tuesdays, Saturdays and to Christmas Island on Tuesdays, Thursdays and Saturdays.' AGD 'will review the continuation of three flights per week to
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32 Attorney-General's Department, *Submission 15*, p. 15.

33 Attorney-General's Department, Mr Julian Yates, *Transcript T1*, p. 1.

34 Attorney-General's Department, *Submission 15*, p. 16.

35 Attorney-General's Department, *Submission 15*, p. 16.

36 Attorney-General's Department, Mr Julian Yates, *Transcript T1*, p. 2.



Christmas Island based on future demand. The third flight may also be extended to the Cocos (Keeling) Islands if there is sufficient demand.<sup>37</sup> Flights will be on an Embraer E190 aircraft and will provide both passenger and freight services.

- 6.59 Airfares for **one way** flights from Perth to the Cocos (Keeling) Islands and Christmas Island will range in price from \$484 (Blue Saver) to \$899 (Premium Economy) with additional discounted fares to be offered. Freight prices are expected to remain unchanged with 'general freight charged at \$6.50 per kilogram and priority freight charged at \$9.75 per kilogram.'<sup>38</sup>

## Christmas Island

- 6.60 CIP drew attention to the high cost of airfares to and from the IOTs and stated:

While there are some discount fares available at \$998 and \$1398, the ordinary economy fare is \$1798 – that is from Perth to the island. If you add about \$400 or \$500 onto that fare, you can get a return trip from Perth to Paris. We also understand that the Australian government provides a form of subsidy for the airline services.<sup>39</sup>

- 6.61 The Christmas Island family-owned airline, AIOTA operates a weekly, international service from Kuala Lumpur to Christmas Island using a chartered Malaysian Airlines aircraft. Regarding Government support of the local air service, AGD stated:

We support their [AIOTA] current operations from the north, using the Malaysia Airlines service, through a waiver of the landing fees at Christmas Island airport. While that is not a huge cost, it is nevertheless a cost that the Australian Government agreed to waive because of the value we saw in their efforts to promote tourism from the north. More broadly, the Australian Government provides a substantial indirect subsidy of the other charges, such as the security clearance process and all the charges to do with the operation of the airport, and we do not come close to recovering the costs of the operation of the airport.<sup>40</sup>

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37 Attorney-General's Department, *Submission 15.5*, p. 6.

38 Attorney-General's Department, *Submission 15.5*, p. 6.

39 Phosphate Resources Ltd., Mr Clive Brown, *Transcript T4*, p. 30.

40 Attorney-General's Department, Mr Julian Yates, *Transcript T1*, p. 9.

## Cocos (Keeling) Islands

- 6.62 Similar to sea freight and shipping services for the Cocos (Keeling) Islands, the main concerns of residents regarding air freight and travel are cost and frequency of service. The Shire of the Cocos (Keeling) Islands stated that the recent additional flights have been:

... very beneficial for travellers to do business within the working week, offering the option of visiting both Cocos and Christmas Island in that period. It would be good to see this structure continue with the possibility of greater options and other links, and this would be through the current tender process.<sup>41</sup>

- 6.63 CICS also welcomed the additional weekly flight but was measured in its response to the impact of the additional flight on visitor numbers. CICS stated that the extra flight:

... has done little to the expected flow of increased tourism numbers. The IOTs are going through an unusual phenomenon with high contractor numbers on the Rumah Baru project and increase of service personnel to Christmas Island. ...It is difficult to quantify the 'lost business' because when a potential tourist enquires about seat availability at the travel agent, only to be told nothing is available, obviously they will travel elsewhere. These 'burn offs' are not recorded or counted in any sort of statistic.<sup>42</sup>

- 6.64 Residents of Cocos (Keeling) Islands are concerned that air freight and passenger flight costs are continuing to rise. The Shire of Cocos (Keeling) Islands commented:

... the cost of getting freight on the plane has especially increased in the last few months. I think it jumped by \$2 a kilogram. It is a significant increase on what was already an expensive freight rate.<sup>43</sup>

- 6.65 CICS also noted the high cost of fresh produce resulting from the high cost of air freight, which is passed on to the consumer. CICS stated:

... the freight rate of \$4.60 for fresh fruit and vegetables was increased without any notice to the community – in fact we were notified 10 days after the increase was effected. For the Co-Operative, this increase created an additional financial impost of

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41 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 3.

42 Cocos Islands Co-Operative Society Limited, *Submission 7*, p. 2.

43 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 11.

\$70 000 per annum, which of course has been passed on to the consumer.<sup>44</sup>

- 6.66 The Cocos (Keeling) Islands District High School commented on the negative social impact of a poorly scheduled and expensive air service, in regard to maintaining professional ties with Christmas Island. The Cocos (Keeling) District High School stated:

[L]ittle or no regard seems to be given to island interests in terms of air flights, specifically with reference to flights moving from a Thursday to a Friday. Despite ongoing feedback flights have steadfastly remained on Fridays (and largely it seems from a business point of view rather than serving the needs of the client). From a professional point of view this has now resulted in no professional contact with Christmas Island DHS [district high school], our closest neighbour, leaving staff here even further professionally isolated. Further, individuals now have to go to [Christmas Island] for 10 days rather than previously for four days for medical reasons, necessitating greater time off work and cover as well as having significant personal family issues. ...Flying off the island for professional reasons, and more importantly private reasons is prohibitively expensive and adds considerable stress to health and wellbeing.<sup>45</sup>

## Conclusions

- 6.67 Air freight and passenger services are a critical component of the long term economic development of the Indian Ocean Territories (IOTs). Since 1997, the Government has underwritten domestic air services between the IOTs and Perth.
- 6.68 The IOTs are currently serviced by four flights per week operating between Perth, Christmas Island and the Cocos (Keeling) Islands. The recent doubling of flight services reflects increased demand and a new fare structure which has made air travel to the IOTs more affordable. However, it is uncertain from where the additional demand has been derived and whether it can be maintained.
- 6.69 The cost and frequency of air freight and air travel was raised as an area of concern by IOTs residents. In particular, there was concern about the

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44 Cocos Islands Co-Operative Society Limited, *Submission 7*, p. 2.

45 Cocos (Keeling) Islands District High School, *Submission 3*, p. 1.

continuing increase in the price of air freight contributing to the high price of fresh produce and perishable goods.

- 6.70 The Cocos (Keeling) Island High School drew attention to the difficulties encountered in maintaining professional ties with the high cost and infrequency of flights between the Cocos (Keeling) Islands and Christmas Island a contributing factor.
- 6.71 In its 2006 report, the committee recommended increasing the number of flights between the mainland and the IOTs under the existing air services contract, and inviting international carriers to extend their services. This would increase accessibility to air services and provide a method of assisting the local tourist industries through increased visitor numbers.
- 6.72 Following finalisation of the new IOTs air services contract, Virgin Blue will commence flying to the IOTs in April 2010. Virgin Blue also has the capacity to provide air freight services. The newly contracted air carrier has indicated that it will provide cheaper airfares to the IOTs than are currently available with the possibility of further discounts for consumers.
- 6.73 In addition to offering cheaper flights, the committee believes increasing the number of flights to the IOTs in response to demand will assist in achieving more affordable airfares. This in turn will provide the benefit of increasing the frequency of freight services to the IOTs.
- 6.74 Increasing the affordability and frequency of flights to the IOTs also provides the impetus to increase visitor numbers to the IOTs and economically assist the IOTs tourism industry. However, without demand for an increased number of flights to the IOTs, increasing the number of flights per week would have the negative impact of increasing the cost of air services. The committee believes the Government should continue to underwrite domestic air services to the IOTs taking into consideration demand levels and adjusting the number of flights available, accordingly.

### **Recommendation 25**

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

## Removal of cabotage restrictions

- 6.76 Cabotage refers to the right of a foreign airline to transport domestic passengers in another country on any domestic legs of international routes. There are few countries that allow cabotage 'except in the context of broader economic integration, such as in the case of Australia and New Zealand under the Single Aviation Market arrangements, and between Member States of the European Union.'<sup>46</sup>
- 6.77 The Department of Infrastructure, Transport, Regional Development and Local Government (DITRL) advised:
- Within Australia, with the exception of New Zealand carriers, foreign airlines are generally not permitted to serve the domestic market. Limited exceptions apply in exceptional circumstances where Australian carriers are not able to meet the pressing need (e.g. emergency relief or the movement of oversized cargo).<sup>47</sup>
- 6.78 Cabotage restrictions serve the purpose of supporting the 'safety and security of Australian domestic passengers' by ensuring 'airlines carrying domestic passengers [are] subject to the full regulatory oversight of Australia's aviation safety regulator, through a requirement to hold an Australian Air Operator's Certificate.'<sup>48</sup>
- 6.79 The removal of cabotage was suggested as a way to increase visitor numbers to the IOTs, thereby stimulating the IOTs tourism industry and more broadly supporting economic development.
- 6.80 CITA favoured the removal of cabotage restrictions and noted that cabotage restrictions are administrative and can be changed. CITA stated:
- Cabotage is largely an administrative issue. Nothing stops the Commonwealth from changing that. That would certainly open up the market to international players. At the moment the issue of cabotage is an obstacle for international airlines to look at coming to Christmas Island because they simply cannot go beyond here to the mainland. If that were to change – and again it is an administrative issue – from my experience there would be a

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46 Department of Infrastructure, Transport, Regional Development and Local Government, *Submission 31*, p. 1.

47 Department of Infrastructure, Transport, Regional Development and Local Government, *Submission 31*, p. 1.

48 Department of Infrastructure, Transport, Regional Development and Local Government, *Submission 31*, p. 1.

number of airline operators who would be willing to look at the whole package rather than a flight to the north.<sup>49</sup>

- 6.81 The Shire of Cocos (Keeling) Islands stated that extending cabotage to the IOTs would assist in increasing the number of visitors from Kuala Lumpur and Singapore to Perth with obvious economic benefit. The Shire of Cocos (Keeling) Islands stated:

It would benefit us [IOTs] because on Cocos at the moment we do not have any direct flights to the northern link. If people are going to use that then they need to go to Christmas Island and stay for any number of nights to get the link up there. ... I think [removing cabotage restrictions] would benefit Cocos quite a lot.<sup>50</sup>

- 6.82 CIP advocated for the removal of cabotage restrictions on Christmas Island which could reduce the cost of airfares. CIP stated:

We have advocated the removal of cabotage restrictions on the island. As I said, this could allow international carriers to provide services to the island, perhaps from Perth to the island and onto Singapore or Kuala Lumpur. This could reduce the enormously high airfares and remove or reduce subsidies paid by the Australian Government. The Attorney-General's Department has formally argued for the removal of cabotage arrangements, although not as broadly as the way we propose. Additionally, the national aviation policy green paper opines that there may be an economic case for considering requests by foreign airlines to carry domestic passengers on routes which require a Government subsidy.<sup>51</sup>

- 6.83 Further, CIP commented that the removal of cabotage could benefit the IOTs tourism industry by increasing its potential to compete and stated:

Certainly what we are advocating, in terms of removal of cabotage [restrictions], would take that one step further and allow services from Singapore or [Kuala Lumpur] to [Christmas] Island and to Perth. The reason for that is that the cost of airfares to the island is horrendously expensive and if the future of the island is to have a tourism potential then obviously island tourism here has to compete with island tourism elsewhere.<sup>52</sup>

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49 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 85.

50 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 6.

51 Phosphate Resources Ltd, Mr Clive Brown, *Transcript T4*, p.30.

52 Phosphate Resources Ltd, Mr Clive Brown, *Transcript T4*, p.38.

- 6.84 CICC also highlighted the positive economic impact for the IOTs tourism industry of removing cabotage restrictions and stated:

As far as the medium to long term is concerned for the airline industry, having cabotage [restrictions] removed would give foreign operators a chance to operate into Christmas Island and on to Perth or Darwin – wherever they want to – without any problems. That would be a natural growth factor for tourism on the island and we would be able to demonstrate what we have to offer on the island as far as ecotourism is concerned.<sup>53</sup>

- 6.85 In December 2009, the Government released an Aviation White Paper to guide the aviation industry's growth over the next decade and beyond. The White Paper set out the Government's approach to issues such as cabotage. The White Paper states:

As a general rule, the Australian Government does not intend to permit cabotage. ... [However] the Government may consider unilateral cabotage in some exceptional circumstances: for example ... when a foreign carrier may seek to operate on a route which is not currently served by scheduled domestic airlines or which requires a Government subsidy (such as routes between some of Australia's external territories and the mainland).<sup>54</sup>

- 6.86 DITRL advised that cabotage serves a security purpose by 'minimising the mixing of domestic and international passengers on the same flight [lessening] the risk and implications for Australia's border control and security agencies.'<sup>55</sup>

## Infrastructure requirements

- 6.87 Removing cabotage restrictions and allowing larger foreign aircraft to land in the IOTs would require the upgrade of existing runways.
- 6.88 The runway on Christmas Island is not adequate to allow planes larger than an Airbus A320 to land and CICC noted the runway would need to be upgraded and extended if larger planes were to make a stopover on Christmas Island. CICC stated:

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53 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 49.

54 Department of Infrastructure, Transport, Regional Development and Local Government, December 2009, *Flight Path to the Future, National Aviation Policy White Paper*, Canberra, p. 44.

55 Department of Infrastructure, Transport, Regional Development and Local Government, *Submission 31*, p. 1.

Certainly the airstrip is a bit short at the moment. There was some talk about increasing its length. The airstrip can handle an Airbus A320 quite comfortably but with anything bigger than that it starts having problems, particularly given the condition of the strip – which I guess you could call ‘humpbacked’. That makes it fairly dangerous to land for any aircraft.<sup>56</sup>

## Conclusions

- 6.89 Cabotage refers, in the aviation context, to the right of a foreign airline to transport domestic passengers in another country on any domestic legs of international routes. Cabotage restrictions are in place in Australia.
- 6.90 There is strong support from the residents and businesses of the Indian Ocean Territories (IOTs) to remove cabotage restrictions for the IOTs. The desired outcome of removing cabotage restrictions is to reduce the price of airfares to the IOTs and encourage an increase in the number of visitors, thereby providing an economic benefit for the IOTs economies.
- 6.91 The Government recently issued a White Paper in which it states that while cabotage is not permitted in Australia, it may consider unilateral cabotage in some exceptional circumstances, such as routes between some of Australia’s external territories and the mainland.
- 6.92 The committee welcomes the Government’s recently stated position on cabotage and believes there is a strong case for removing cabotage restrictions to allow currently restricted flights to stop over in the IOTs.
- 6.93 If cabotage restrictions were removed and foreign airlines could transport domestic passengers to the IOTs, this would mean that larger aircraft would be required to use existing IOTs air services and related infrastructure.
- 6.94 Current supporting air services infrastructure on the IOTs such as runways would need to be upgraded and expanded to accommodate larger aircraft. Administratively, the requirements for processing an increased number of visitors would also have to be considered.
- 6.95 The committee acknowledges that while removing cabotage restrictions could provide an economic benefit for the IOTs, there would need to be an upgrade to existing infrastructure and possible revision of administrative protocols for processing an increased number of visitors.

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56 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 47.



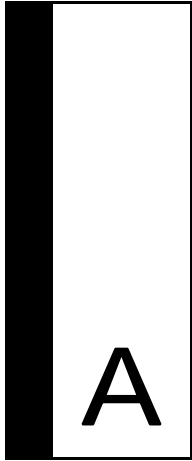
**Recommendation 26**

- 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.

**Senator Kate Lundy**  
**Chair**

**26 March 2010**





## Appendix A - Submissions

### **No. Individual/Organisation**

- 1 Mr Kerry Walker
- 2 Mr John Sorensen
- 3 Mr Saeed Amin
- 4 CONFIDENTIAL
- 5 CONFIDENTIAL
- 6 Christmas Island Phosphates
- 7 Mr John Clunies-Ross
- 7.1 Mr John Clunies-Ross
- 8 Christmas Island Internet Administration Limited
- 9 Shire of Cocos (Keeling) Islands
- 10 Ms Dee Margetts and Dr Nic Dunlop
- 11 Mr Nyall Ledger
- 11.1 CONFIDENTIAL
- 11.2 Mr Nyall Ledger
- 12 Mrs R Peter
- 13 CONFIDENTIAL
- 14 Ms Charlene Thompson
- 15 Attorney-General's Department
- 15.1 Attorney-General's Department

- 15.2 Attorney-General's Department
- 15.3 Attorney-General's Department
- 15.4 Attorney-General's Department
- 15.5 Attorney-General's Department
- 16 The Government of Norfolk Island
- 17 Mr John Hibbard
- 18 CONFIDENTIAL
- 18.1 CONFIDENTIAL
- 19 Christmas Island Chamber of Commerce
- 20 Mr Ron Grant
- 20.1 Mr Ron Grant
- 21 CONFIDENTIAL
- 22 Department of Immigration and Citizenship
- 22.1 Department of Immigration and Citizenship
- 23 Perhimpunan Orang Pulu Cocos (POPK)
- 24 Shire of Christmas Island
- 25 Cocos Congress Incorporated
- 26 Cocos Islands Co-Operative Society Limited
- 27 Department of Broadband, Communications and the Digital Economy
- 28 Australian Communications and Media Authority
- 29 Australian Competition and Consumer Commission
- 30 Airservices Australia
- 31 Department of Infrastructure, Transport, Regional Development and Local Government
- 32 Australian Broadcasting Corporation
- 33 Ombudsman Western Australia
- 34 Commonwealth Ombudsman



## Appendix B – Exhibits

- 1 Attorney-General's Department  
*Final Report: The Economy of the Indian Ocean Territories - Economic development opportunities for Christmas Island and the Cocos (keeling) Islands*, ACIL Tasman, September 2008.  
(Related to Submission 15)
  
- 2 Attorney-General's Department  
*Climate Change Risk Assessment for the Australian Ocean Territories: Cocos (keeling) Islands and Christmas Island*, MAUNSELL/ AECOM, 27 January 2009  
(Related to Submission 15)
  
3. Shire of Christmas Island  
Dr Janos Hennicke, *The Christmas Island Seabird Project: Research for effective conservation*, Department of Ecology and Conservation Biocenter Grindel, University of Hamburg.  
(Related to Submission 24)
  
- 4 Shire of Christmas Island  
*Christmas Island International Research Centre Business case*, Department of the Environment and Heritage, prepared by Christmas Island National Park, Parks Australia North, September 2005  
(Related to Submission 24)
  
- 5 Christmas Island Phosphates  
Christmas Island Expert Working Group, *Revised Interim Report of the Christmas Island Expert working group to the Minister for Environment, Heritage and the Arts*, 28 June 2009  
(Related to Submission 6)

- 6 Mr Kerry Walker  
Package of information including Fuel costs on Christmas Island and email correspondence relating to radio sports coverage on Christmas Island, dated September and October 2008.  
(Related to Submission 1)
- 7 Mr John Clunies-Ross  
Martin Mowbray, 'Decolonization and Community Development on the Cocos (Keeling) Islands', *Country Development Journal*, Vol 32 no 4, October 1997, pp 321-331  
(Related to Submission 7)
- 8 Mr Robin Brotchie, *Remote Control: Australian Governance Strategies for Tourism Development on Christmas Island*, Australian National Internship Program, 2009
- 9 Attorney-General's Department  
Hibbard Consulting Pty Ltd, *Christmas Island's Communications: A Comparison of Cable and Satellite*, Westleigh, July 2008  
(Related to Submission 15.3)
- 10 Attorney-General's Department  
Hausfield Consulting, *Report on Christmas Island Satellite Options*, 5 June 2008  
(Related to Submission 15.3)
- 11 Attorney-General's Department  
Territories and Native Title Division, Attorney-General's Department, *Submission to the Inquiry into Coastal Shipping Policy and Regulation*, April 2008  
(Related to Submission 15.3)
- 12 Attorney-General's Department  
Territories and Native Title Division, Attorney-General's Department, *National Aviation and the IOTs: Submission to the National Aviation Policy Statement*, June 2008  
(Related to Submission 15.3)



## Appendix C – Hearings and witnesses

**Wednesday, 19 August 2009 - Canberra**

**Attorney-General's Department**

Mr Liviu Mihov-Nicotodis, Acting Assistant Secretary, Territories and Information Law Division

Mr Julian Yates, Acting First Assistant Secretary, Territories and Information Law Division

**Wednesday, 9 September 2009 - Canberra**

**Department of Environment, Water, Heritage and the Arts**

Mr Gerard Early, Deputy Secretary

**Department of Immigration and citizenship**

Mr Bob Correll, Deputy Secretary

Ms Jackie Wilson, First Assistant Secretary

**National Parks**

Mr Peter Cochrane, Director

**Wednesday, 16 September 2009 - Canberra**

**Individuals (via teleconference)**

Dr Nicholas (Nic) Dunlop

Ms Diane (Dee) Margetts

**Attorney-General's Department**

Mr Simon Millcock, Economic Development Officer, Indian Ocean Territories

Mr Julian Yates, Acting First Assistant Secretary, Territories and Information Law Division

**Monday, 28 September 2009 - Christmas Island****Individuals**

Ms Charlene Thompson

Mr Alwyn (Kerry) Walker

**Christmas Island Chamber of Commerce**

Mr John Richardson, President

**Christmas Island Internet Administration Limited**

Mr Garth Miller, Director

**Christmas Island Tourism Association**

Mr Michael Asims, Executive Member

Ms Linda Cash, Marketing Manager

Mr Bill Tatchell, Tourism Development Officer

**Phosphate Resources Limited**

Mr Clive Morris Brown, Chairman

Mr Wah Mun (Alfred) Chong, Resident Manager

**Shire of Christmas Island**

Mr Gordon Thomson, President

**Union of Christmas Island Workers**

Mr Gordon Thomson, General Secretary



**Tuesday, 29 September 2009 - Cocos (Keeling) Islands****Individuals**

Mr John Clunies-Ross

Mr Ronald (Ron) Grant

**Cocos (Keeling) Islands District High School**

Ms Heather Prance, Acting Principal

**Cocos (Keeling) Islands Tourism Association Inc.**

Mr Raymond Marshall, Member

**Shire of Cocos (Keeling) Islands**

Mrs Melinda Lymon, Acting Chief Executive Officer

**Wednesday, 28 October 2009 - Canberra****Individuals (via teleconference)**

Mr Nyall Ledger

Mr John Sorensen

**Department of Broadband, Communications and the Digital Economy**

Mr Simon Bryant, Assistant Secretary, Australian Broadband Guarantee

Mr Colin Lyons, Deputy Secretary, Infrastructure Group

**Thursday, 29 October 2009 - Canberra****Attorney-General's Department**

Mr Stephen Clay, Acting Assistant Secretary, Territories and Information Law Division

Mr Julian Yates, Acting First Assistant Secretary, Territories and Information Law Division