

## Introduction

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

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

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

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

- 1.2 Governance and administration, and economic development issues have long been the subject of JSCNCET inquiries, dealt with separately or together in successive inquiry reports and parliaments.<sup>1</sup>
- 1.3 On governance and administration, residents have expressed their frustration at not having any political representation in the Western Australian Parliament despite the broad application of Western Australian legislation in the IOT and inadequate or ineffectual consultation mechanisms at all levels of government. There is also a widely-held view that decisions are made by bureaucrats in Perth and Canberra with little transparency and accountability to the communities.<sup>2</sup>
- 1.4 Specific issues that recur (and this is not an exhaustive list) include:
- the high cost of shipping;
  - the regularity of air services to the IOT;
  - the need for dedicated aged care facilities;
  - a shortage of affordable housing;
  - the prohibitive cost of property insurance;
  - waste management;
  - coastal erosion;
  - access to telecommunications; and<sup>3</sup>
  - land management/tenure.<sup>4</sup>
- 1.5 For many years, the Christmas Island economy has been characterised by a 'boom and bust cycle' associated with its mainstays – low-grade phosphate mining and immigration detention activity. There are concerns about Christmas Island's economic future beyond these activities.

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

[http://www.aph.gov.au/Parliamentary\\_Business/Committees/House\\_of\\_Representatives\\_Committees?url=ncet/reports.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ncet/reports.htm)

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

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

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

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

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

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

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

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

9 Department of Infrastructure and Regional Development website, [http://regional.gov.au/territories/Cocos\\_Keeling/economics.aspx](http://regional.gov.au/territories/Cocos_Keeling/economics.aspx)

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

## Scope of the report: kick-starting the economy

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

## Conduct of inquiry

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

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

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

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

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

### Visit to the Indian Ocean Territories

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

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13 JSCNCET website, Public hearings, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/National\\_Capital\\_and\\_External\\_Territories/Indian\\_Ocean\\_Territories/Public\\_Hearings](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Capital_and_External_Territories/Indian_Ocean_Territories/Public_Hearings)

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

### Report outline: economic opportunities

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