



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL
AND EXTERNAL TERRITORIES

Reference: Changing economic environment in the Indian Ocean territories

WEDNESDAY, 16 SEPTEMBER 2009

CANBERRA

BY AUTHORITY OF THE PARLIAMENT

TO EXPEDITE DELIVERY, THIS TRANSCRIPT HAS NOT BEEN SUBEDITED

INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

<http://www.aph.gov.au/hansard>

To search the parliamentary database, go to:

<http://parlinfoweb.aph.gov.au>

JOINT STANDING
COMMITTEE ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES
Wednesday, 16 September 2009

Members: Senator Lundy (*Chair*), Mr Secker (*Deputy Chair*), Senators Crossin, Ferguson, Joyce and Scullion and Mr Adams, Ms Burke, Ms Annette Ellis, Mr Neville and Mr Turnour

Members in attendance: Senators Crossin, Alan Ferguson, Lundy and Mr Adams, Ms Burke and Mr Secker

Terms of reference for the inquiry:

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.

WITNESSES

DUNLOP, Dr James Nicholas (Nic), Private capacity 15

MARGETTS, Ms Diane Elizabeth (Dee), Private capacity 15

**MILLCOCK, Mr Simon Francis, Economic Development Officer, Attorney-General's
Department 1**

**YATES, Mr Julian Anthony, Acting First Assistant Secretary, Territories and Information Law
Division, Attorney-General's Department 1**

Committee met at 12.34 pm

MILLCOCK, Mr Simon Francis, Economic Development Officer, Attorney-General's Department

YATES, Mr Julian Anthony, Acting First Assistant Secretary, Territories and Information Law Division, Attorney-General's Department

CHAIR (Senator Lundy)—I declare open this public hearing of the Joint Standing Committee on the National Capital and External Territories. The committee is inquiring into the changing economic environment in the Indian Ocean territories. Today we will be hearing from representatives of the Attorney-General's Department and, via teleconference, Ms Dee Margetts and Dr Nick Dunlop. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. Before introducing the witnesses, I will refer members of the media who may be monitoring this hearing to the need to fairly and accurately report the proceedings of this committee.

I would now like to welcome representatives of the Attorney-General's Department to today's hearing. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. Do you wish to present an additional submission or make an opening statement to the committee?

Mr Yates—If I may, I would like to make a short address to update the committee on three matters which have taken place since we last met.

CHAIR—Yes, please.

Mr Yates—These are to do with the minister's recent visit to the territories; the approach to the market for the air service to the territories through an open tender process; and the investment in an upgrade in the Smith Point mooring system on Christmas Island.

Since I last met with the committee, the Minister for Home Affairs, the Hon. Brendan O'Connor, had a productive visit to the Cocos (Keeling) Islands and to Christmas Island. The secretary of the Attorney-General's Department, Mr Roger Wilkins; the deputy secretary, Mr Ian Govey; and I accompanied him. During the visit, the minister announced \$10.8 million in funding for high-priority capital works projects on both islands and a further \$3.5 million to upgrade the mooring facilities on Christmas Island. He also announced an Australian government task force, to be chaired by Mr Ian Govey, to develop a practical approach to further economic and environmental sustainability for Christmas and Cocos (Keeling) islands.

Turning to the Smith Point mooring system, as I said, during the minister's recent visit, he announced a \$3.5 million upgrade to the mooring system. This upgrade brings forward planned capital works to cater for the opportunity provided by Carnival cruises to develop tourism. The upgrade will also provide better facilities for naval vessels. The mooring system work is complex and in deep water in the open sea. It is scheduled to be completed by 23 December, if weather and works permit, and the first cruise ship visit is scheduled to arrive at Christmas

Island that day or the day after, so we are running this one to quite a fine time line. If the weather behaves, we expect—

CHAIR—What happens if it is not ready? Do they just go around the island a few times?

Mr Yates—They will probably have to go around the island a couple of times. They have another visit scheduled for early January, and we are getting quite positive indications that installation of the mooring system will generate future visits but at this point they are not formally scheduled.

CHAIR—My apologies for interrupting. Please proceed.

Mr SECKER—Just before you do, is it where the present wharf is?

Mr Yates—No. It is where the current Smith Point mooring system is, which is where we do the fuel on- and off-loading. That equipment is due for a major servicing anyway, and our plans are to upgrade its capacity so that it can hold larger vessels, such as the cruise ships.

Mr SECKER—That is the other side of the island.

Mr Yates—It is sort of the other side; it is around the corner—that is correct. After various analyses, it was chosen as the most appropriate place to do it because of the existing infrastructure. It is less costly than trying to do something from scratch.

We released the request for tender for the air services to the Indian Ocean territories on 4 September. An industry briefing is being held in Sydney tomorrow. The industry briefing will provide prospective tenderers with information about both the services that are required and the potential opportunities for the successful tenderer. Tenders will close on 20 October, and the department will be working towards announcing the successful tenderer by the end of December. That ends my initial statement.

CHAIR—Thank you. Mr Millcock, would you like to make an opening statement?

Mr Millcock—Yes, thank you, Senator. Firstly I would like to thank the joint standing committee for inviting me to contribute to the inquiry. I would also like to acknowledge the Attorney-General's Department for creating this position of Economic Development Officer for the Indian Ocean territories.

I certainly recognise a number of the complexities associated with economic development in these isolated communities, including no state government; shires only being created in 1992; the distinct ethnic compositions, with the large groups of people of Chinese and Malay origins; the absence of nearby regional centres; and, obviously, the national policies relating to defence, immigration and environmental protection—and of course the systems have applied Western Australian law as Commonwealth law.

I have been the economic development officer for the Indian Ocean territories since December 2008. I came to that position with a background in working in regional development in South Australia for over 12 years.

Mr SECKER—In my electorate.

Mr Millcock—Yes. I would like to provide as an opening statement something that is centred on the three points outlined in the invitation to attend today. The first of those was my role as the economic development officer for the Indian Ocean territories. My work centres on improving the capacity, the transfer of skills and the identification and development of economic opportunities for the Australian, state and local government agencies, community groups, businesses and individuals.

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 identify and develop opportunities to attract new investment and also new residents. 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—some of the ones from the previous inquiries have.

CHAIR—Indeed.

Mr Millcock—I take a lead role in developing recommendations for a long-term structure for economic development and provide on-island support to the economic funding program whilst I also provide input to policies and programs to the Attorney-General's Department relating to the Indian Ocean territories.

My immediate manager and for operational matters is the Attorney-General's Department Indian Ocean territories director, who is based on Christmas Island. I work closely with the administrator for the Cocos (Keeling) Islands and Christmas Island on economic development. I have two that I work under.

CHAIR—Right.

Mr Millcock—It is an exciting and challenging role, especially given that it is a new position. I feel a great sense of responsibility to those islands that are within my role. It is helping to develop the next chapters of the Indian Ocean territories. I currently have a two-year contract with the option of a third. That is a brief snapshot of the economic development officer.

You asked about the economic development consultative groups. In July last year the Minister for Home Affairs approved the establishment of the Indian Ocean territories economic development consultative groups both for Christmas and Cocos islands. The terms of reference were developed and expressions of interest were called in January and February of this year. Those expressions of interest were promoted via the local shires' newsletters, along with directly distributing them to the 60 or 70 people I met in the first five or six weeks while I was there and via email to those on the database.

In May this year the Minister for Home Affairs appointed seven people to the Christmas Island economic development consultative group and four to the Cocos (Keeling) Islands consultative group. All of these people provided expressions of interest. A few weeks after that there was a further expression of interest received from the Cocos (Keeling) Islands and that resulted in the Minister for Home Affairs appointing a fifth person to that group. All of our

appointments are for two years and the membership has a cross-section of people who have an interest and a broad involvement relevant to economic development.

There is a maximum of seven people for each consultative group, excluding the administrator, and observers may be invited by the chair to attend meetings. The administrator chairs the meetings for the consultative groups. My role is to provide communications and formal reporting back to them. The terms of reference indicate that each group is to meet a minimum of three times a year, with an annual combined meeting. I provide a summarised report on each meeting, and this is distributed to the members, and the administrator is required to report to the Minister for Home Affairs on an annual basis.

The purpose of the economic development consultative groups is to provide a formal conduit between the community, the administrator and me. They are to support the development, implementation and adoption of the territories economic development strategies and to provide information to me and the community on these strategies at a local level. They provide input to me on the Indian Ocean Territories Economic Development Program Funding and they assist me in disseminating information to the community on economic development. They are not empowered to make decisions regarding the economic development strategies nor are they authorised for resource allocation or policies. Both the economic development consultative groups have met and had their inaugural meetings. We have at least two more planned for Christmas Island and one more planned for the Cocos (Keeling) Islands this calendar year.

The third point was general types of initiatives proposed at the community level. An economic development strategic plan is currently being drafted. As I talked about before, that is being drafted from existing plans and reports and through the consultation I have been having since I have been there. These have been workshopped with both of the consultative groups. I anticipate they will be presented for public comment.

The strategic plan 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. It is still only in draft format, but I will provide you with a couple of examples of what we are doing. These are around the targeted areas of developing a competitive business climate and new economic initiatives.

The first example is my work with the Small Business Development Corporation and the Indian Ocean Group Training Association. Along with a number of others, we have developed a 12-month workshop program which has a focus on small business and includes grant writing, business planning, marketing, event management and an entrepreneurial and leadership program. This is in relation to building the capabilities and leadership. It is geared to ensure that the region is supportive and progressive in the areas of business training and upskilling of current operators. The identifying of skill shortages and supporting microbusinesses, the home based businesses, is aligned with this partnership.

The second example is the application currently from Christmas Island phosphates for joint funding towards a horticultural feasibility study for the Indian Ocean territories. This is in relation to new economic initiatives identified as including education, research and development, agriculture, horticulture, on-island production and aquaculture.

CHAIR—Thank you. Mr Millcock, you mentioned that your contract is for two years with an option for a third year. Where would you like to be in two years? To what extent have you been able to set goals or targets as part of your role? I appreciate that this is difficult. I am trying to get a feel for where you are placing your emphasis in the work that you do.

Mr Millcock—Probably the emphasis at the moment is working towards trying to build the capacity of organisations and to build the capacity of businesses. We are trying to put a lot of work in at the moment in strategic planning and business planning and looking at trying to form partnerships and relationships within those communities. Also there is an emphasis on diversifying the economy. That is certainly a key role. Perhaps the other is starting to have a more regional approach to how economic development occurs within the territories.

CHAIR—How do you liaise with the local councils on both Christmas and Cocos Islands? What does that relationship look like?

Mr Millcock—We have representation from the Cocos (Keeling) Islands on the economic consultative group, but I would meet, if not monthly, probably every five or six weeks with the CEO or the shire president. I provide a monthly report to both shires, along with a number of other organisations, on the work I am doing. I think the nature of the islands is that if it is not daily then it is at least weekly contact that we would have with either elected members or staff from the shires.

CHAIR—That is fine. Questions, colleagues?

Mr SECKER—Could I apologise in advance; I am going to have to leave early.

CHAIR—You can go first with your questions, then.

Mr SECKER—What effect is the increased use of the detention centre on Christmas Island having on the local economy? For example, are they employing locals or are they importing people?

Mr Millcock—I do not know that there has been any regional impact work done on that but I can perhaps provide some anecdotal information.

CHAIR—Before you do, Mr Millcock—Mr Secker, just for your benefit, we did get quite detailed information regarding the workforce from the department of immigration at last week's hearing so we will be able to refer you to *Hansard* for those specifics. Thanks, Mr Millcock.

Mr Millcock—But there are probably positives and negatives about having the extra employment on the island. It all depends on which organisation or group you are talking to. But there certainly has been an increase in employment. I think I read in the tourism association's annual plan that there has been an increase, and they certainly highlighted that the turnover from their visitor information centre has increased. I cannot remember the exact amount, but it has increased quite substantially from last year, and they put that down to the number of workers who were coming to and from the island on a regular basis, and purchasing T-shirts and caps and those sorts of things.

CHAIR—So people who go there for employment during the peak periods for the detention centre also participate in domestic tourist activities, ‘domestic’ being on the island?

Mr Millcock—We have certainly been having discussions with the department or with the service providers such as GSL, or G4S, and now with Serco, and with the tourism association—I have facilitated some meetings between them—about how we might be able to capture more dollars out of the people who do come there and at the same time provide them with an experience while they are there.

Mr SECKER—I am not quite sure how to put this, but I would imagine you would have to be careful how you explained the detention centre and its role, perhaps some of its history, to the tourists who come in on the cruise ships.

Mr Millcock—The answer to that is that we have currently funded, through the local Christmas Island Tourism Association, through the Indian Ocean territories economic development fund, the position of a project officer for the cruise ships, and that position has now been in place for about a month. I am part of the working group on that, and all of those issues are currently being worked through with that person to make sure that the island can be as prepared as possible for when the cruise ships do come.

Mr SECKER—Are the consultative group members taking the place of the area consultative committees?

Mr Millcock—Going back a step, the Indian Ocean territories had been aligned with the Perth Area Consultative Committee, although nobody from the territories was ever part of that organisation.

Mr SECKER—So really it is replacing nothing?

Mr Millcock—Yes.

Mr SECKER—That is a fair point. Are they paid, these consultative group members, or is it totally voluntary?

Mr Millcock—It is voluntary.

Mr SECKER—And you have obviously had a fair bit of interest from people wanting to be part of it?

Mr Millcock—Yes. On Christmas Island we were able to fill the seven positions, and for the Cocos seven positions we initially had four and now we have got a fifth member.

Mr SECKER—Thank you.

CHAIR—Senator Crossin?

Senator CROSSIN—My apologies for not personally meeting you before. Like Warren Snowdon, I have the IOTs in my electorate as part of my responsibility. I have a few questions I

want to ask you. Has the economic development advisory group—the two groups—that you are working with replaced the economic development committee that was previously established on the island?

Mr Millcock—There were two incorporated bodies and I am currently in discussions with the former members of the Christmas Island economic development committee. But they were incorporated bodies, and we are just in discussion on what they want to do as bodies.

Senator CROSSIN—So you do not know if they want to wind up their operations or continue to exist or what the status is?

Mr Millcock—They are the discussions we are having at the moment.

Senator CROSSIN—On both Christmas and Cocos?

Mr Millcock—On Christmas Island. On Cocos Island I have not had those discussions with them, no.

Senator CROSSIN—So that body still exists on Cocos Island?

Mr Millcock—As incorporated bodies—I do not know that they have wound themselves up.

Senator CROSSIN—Do you know who are currently members or office holders on either of those incorporated bodies?

Mr Millcock—If they have not been meeting, I do not know whether they are actually still organisations. So I do not know if they have members or not.

Senator CROSSIN—That leads me to my next question, which is: they previously either had or had access to around \$75,000 or \$80,000 a year through the A-G's Department; is that still the case? Mr Yates might know the answer to that.

Mr Yates—The funding of \$150,000 in total—\$75,000 per island—remains available for economic development grants.

Senator CROSSIN—So it is in the form of grants.

Mr Yates—That is correct.

Senator CROSSIN—It does not specifically go to that committee to use?

Mr Yates—No. The committees were able to previously apply for a small amount of administrative money, but I would have to take on notice the exact amount. I think it was around \$3,000. But this new arrangement replaced that in terms of the funding. As Mr Millcock says, the committees themselves are incorporated bodies and the membership have the right to determine what they do or do not do, so it is not strictly a matter for us.

Senator CROSSIN—So there is nothing stopping that economic development incorporated body applying for \$50,000 of that \$75,000, for example.

Mr Yates—Correct, in principle. They could, with a suitable project and through the established process.

Senator CROSSIN—How were those bodies set up originally? Was it on advice from the A-G's department some years back?

Mr Yates—I would have to take on notice the details of their original establishment. They predate my term in this role, so I cannot give you a definitive answer on that. But as incorporated bodies they would have gone through the normal process to establish an incorporated body, where a group of people get together and decide to agree that.

Senator CROSSIN—I am not sure my history of that is that a group of people got together to decide to do that. My knowledge—which it would be good for you to double-check so we can get it clear for the purpose of this inquiry—is that, in order to access these grants, the economic development committee had to become an incorporated body. I thought it was under the requirements that the A-G's Department set.

Mr Yates—There is certainly a general requirement for any of our grants that they can only be passed to an incorporated body. That would be correct, but I would like take that on notice and give you a definitive response when we have looked through the files to the original establishment of those groups.

Senator CROSSIN—What is the process for accessing that grant money and why is it that someone like Mr Millcock and his task groups on each committee cannot have \$75,000 each and they hold that money and they make the assessment and they give it out? Why does that grant process and approval have to go back to Canberra? And why can't it change?

Mr Yates—I might answer the second part and then ask Mr Millcock to talk about the on-island process. Because it is a discretionary grants scheme, as with all of our discretionary grants schemes at the moment it requires ministerial approval and we are obliged to comply with the relatively recently issued Commonwealth grant guidelines. That is the rationale behind the approval process: as a discretionary grants scheme, we get the minister's approval, rather than the Public Service or some other group providing that approval.

Senator CROSSIN—Even if it is as little as \$3,000 or \$5,000, it still has to go from the island through the Canberra department to the minister's office; is that right?

Mr Yates—That is correct. I might ask Mr Millcock to talk about how the actual process works.

Mr Millcock—How the process works is that 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—

Senator CROSSIN—Your consultative groups, not the—

Mr Millcock—The economic development consultative groups.

Senator CROSSIN—Yes.

Mr Millcock—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 Perth. From there it would be forwarded to the minister for his decision.

Senator CROSSIN—So what would need to be done to change that process? If they are not discretionary grants, could they not be handed to each of these task forces as an economic development grant? What would need to happen to change the process to give people on the island more ownership about who gets these grants?

Mr Yates—I will answer that one, if I may. Making a change to the process would be a matter for, essentially, the government or the minister.

Mr ADAMS—There would have to be to be things like ethical—

Mr Yates—That is correct.

Mr ADAMS—Yes. So you would have to go through a whole process of the experiences in small communities.

Senator CROSSIN—But local city councils have money they hand out to people for different grants now, so it would just mean a—

Mr Yates—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 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.

Senator CROSSIN—It is a bit messy now, really, isn't it? We have got these economic development advisory committees and alongside them the old economic development incorporated bodies. Have you ever done a matrix for whether the membership is the same or whether they are different?

Mr Millcock—Currently, three members of the consultative group on Christmas Island are former members of the economic development committee. Having seen the minutes of what we think was the last meeting of the economic development committee, three of them are currently on the economic development consultative group.

Senator CROSSIN—Okay. I have another question. Let us say the economic consultative group decides that Tourism Australia needs to spend another \$20,000 in its budget to promote

Christmas or Cocos island, for example. Let us say that the tourism association develops a strategic plan but says it is hamstrung because the federal tourism department needs to get on board a bit more. What responsibility have you got in that chain of events? Can you go directly to Tourism Australia or do you have to report through Mr Yates, who then makes a representation on your behalf? What degree of freedom, I suppose, do you have to contact other federal departments if assistance or support is needed?

Mr Millcock—Perhaps we can use the tourism associations as an example. We currently fund the tourism development officer with the Christmas Island Tourism Association, and that is probably a role that this tourism development officer would have on behalf of that membership organisation. If there were conversations with other Commonwealth government departments then reports would be going back through our policies and projects section within the department.

Senator CROSSIN—All right. So you need to feed into the process—you cannot directly approach other agencies or departments?

Mr Millcock—I can certainly approach and have discussions, but I do not have any authority to make any decisions about policies or procedures. Fact-finding is what my role is—to find out what the current situation is. If there need to be changes in policies, that is what I would feed back through to the department.

Senator CROSSIN—So, if your consultative group says, ‘The situation in terms of signs in parks is pretty poor; it doesn’t help tourists who come to the island; we want Parks to get their act together and improve the signage,’ you do not go directly to Parks? You would feed that through in your reports and then someone in the IOTs branch would contact Parks about that?

Mr Millcock—There are certain strategies which different government departments have with the Indian Ocean Territories. Part of that would be working with them on what their strategies are. Providing feedback is not necessarily just through the consultative groups to the Attorney-General’s Department; it is also providing feedback to other agencies and government departments.

Senator CROSSIN—I understand that, but what is your role specifically in that message that the signage in the park needs improving? How do you take that message and who do you take it to?

Mr Millcock—I would have regular meetings with Parks—

Senator CROSSIN—On the island?

Mr Millcock—On the island—and have input into their strategies and their plans. If there were opportunities to be able to assist them in applications for funding from other government departments, maybe even through something like our on-island economic development fund, that is where my role would be. It would be to assist them in economic development.

Senator CROSSIN—There was always a lot of confusion about whether the IOTs actually came under the area consultative committees or not. I think that, by the time we sorted that out,

the ACCs were abolished. Have we worked out what the relationship of the IOTs with Regional Development Australia is and what role you play in that, if any?

Mr Millcock—Currently my role in that is information gathering, in that I think there has only just been an MOU signed between the Commonwealth and the Western Australian government about how Regional Development Australia will operate in Western Australia. We have started conversations with the department of infrastructure.

Senator CROSSIN—Therein lies the catch, you see, because does that include the IOTs?

Mr Millcock—On their website last week I think the IOTs were listed as being part of Western Australia, but as to whether there have been any decisions made—

Senator CROSSIN—Can you take that on notice for me, because that was the same problem we had last time—the federal government had an agreement with Western Australia about area consultative committees and how they were going to operate, but when it came time for the IOTs to put in an application they got a message that they had to go through WA, and then someone said, ‘No, no; it is actually through the Northern Territory,’ and it all just fell in a big heap. What I want, whether it is through this department or even through the department that manages RDA, is: exactly where do the IOTs fit now in RDA and what would your role be in facilitating what happens there? I know you might have an agreement with WA, but that is the problem we had the last time—that did not necessarily include the IOTs.

Mr Yates—We will take that on notice. I can add one thing to Simon’s answer in terms of the consultation with other agencies. We are hopeful of an appointment to the administrator’s position in the near future, and that position has a very strong role as an advocate for the islands. I would see that role also having a particular influence when talking to people like Tourism Australia in addition to whatever influences we might try to bring to bear through my office.

Senator FERGUSON—I have a couple of questions relating to economic development. It would appear, from my experience, that the opportunities for economic development initiatives on the islands are reasonably limited. I am interested to know what sorts of initiatives have been developed or proposed by the community in which there is some likelihood of success and how they can be developed. What types of initiatives are they bringing forward?

Mr Millcock—We are still in the draft of the strategic plan, but some of the points around employment are areas that we are looking at. Maybe I can use a current example, of having met with Serco and the Department of Immigration and Citizenship on ways to look at the numbers of fly-in fly-out workers on Christmas Island. We are now having discussions. On our suggestion, Serco have recently been to Cocos (Keeling) Islands and we are talking about the opportunities for some fly-in fly-out from Cocos. That is an example of some employment opportunities that might be able to come.

Senator FERGUSON—You are making an assumption that they are going to be required in the future. I am talking about long-term economic development of the island. If in three years time there is nobody detained on Christmas Island, you are going to have to look elsewhere. That is why I would like to think of something outside the immigration detention centre.

Mr Millcock—Horticulture, aquaculture, research and development and education are certainly areas which we are starting to look at within that draft strategic plan.

Senator FERGUSON—What is the \$75,000 allocated for? How is that to be spent? This is the economic development funding program.

Mr Millcock—That is for initiatives which will help economic development within the Indian Ocean Territories.

Senator FERGUSON—Do those initiatives have to come from the islanders themselves?

Mr Millcock—They can come from individuals. They can come from business. They can come from community organisations. There is not a requirement that the person has to be based within the Indian Ocean Territories. The organisations or businesses do not need to have their base within the Indian Ocean Territories.

Senator FERGUSON—Can that \$75,000 be in the form of one grant of \$75,000 or three grants of \$25,000? Is there a maximum or a minimum? How does it work?

Mr Millcock—There is a minimum of \$5,000.

Senator FERGUSON—So you could have 15 grants of \$5,000 each.

Mr Millcock—You could have 15, or you might have one of \$75,000.

Mr ADAMS—Could you give the committee some advice on what sorts of performance indicators you will use in relation to this and the distribution of the money?

Mr Millcock—Are you talking about the economic development fund?

Mr ADAMS—Yes, and your own role.

Mr Millcock—The development of key performance indicators is hopefully what will come out of the economic development strategy—the potential for setting some targets. I do not know that there are currently any of those. Obviously the economic development fund is very much related to the types of projects. What is expected within those projects will help form those performance indicators.

Mr ADAMS—If you could take that on, the committee might be looking for that some time in the future. The issues of these territories, which are small, include the macroeconomics of food production and the very small business situations of the people that live on these islands. These are things that we have looked at recently in New Zealand in their territories, and what we get back from the Pacific islands. These economies that need to be looked at are a little smaller than we may have had in the past. There is aquaculture and the building of tourism. We know that people like to experience the food of the local region. These are opportunities which we may need to look at with some sort of research. I personally have reached a conclusion that we need to find some solutions for fishing at a smaller level—not large plants trying to exploit the fishing resource. Have you thought about those things at all?

Mr Millcock—Yes, I have. I probably think about them on a daily basis. I am hoping some of the things which will come out of this inquiry will help in that whole process. It is a challenging role.

CHAIR—In the submission it describes how the department includes a provision in major contracts which encourages the service provider to use local contractors and local labour. How do you measure those outcomes and monitor that provision?

Mr Millcock—How do I or does the department?

CHAIR—How does the department, and what role do you play in that now that you are appointed in the role you are appointed in? Perhaps my question is best directed to Mr Yates in the first instance and then you can describe your involvement.

Mr Yates—That is always an issue for us. We look to try and promote the maximum amount of local employment we can with our projects, within the Commonwealth procurement guidelines, which puts limits on how far we can go. The form of words we use is designed to try to encourage people who take up the larger contracts to do local employment. In fact, many of them do simply because the economics say that recruiting a local person is generally going to be less expensive in total than bringing someone in, particularly when you begin thinking about the cost of housing and moving all their goods and chattels there. So there is a natural advantage in doing local recruitment as far as possible. In terms of the role the economic development officer has, I think that is an area where it comes back to capability building, which is about encouraging local businesses to be able to successfully bid for work with companies like Serco. They are looking for a good standard of application. It is about ensuring that the vocational training that is available on the island suits forthcoming business opportunities so that individuals have the skill sets they need to successfully get work. I might ask Simon to talk a bit about the pragmatics of what he has been doing in that regard.

Mr Millcock—I will use a couple of examples. Perhaps local businesses are not used to doing business the way that it might be done on the mainland. They are used to being able to see someone who has got a project on and be able to say, 'I can give you six people next week.' So it is about trying to work with them to allow them to understand what opportunities there are, know what the skill sets are and then to work with Indian Ocean Group Training Association or with the school, perhaps some longer term thinking. Instead of saying, 'It's a project which is going to happen next month, what are we going to do about it?', it might be looking at it saying, 'What is the infrastructure, what are the capital works which are happening next year and the year after and the year after that so we can work to make sure we have got on the island the skill sets which are going to fill those positions. If we do not have those, when the projects do happen then they will continue to bring in.' But the other is do we actually have the numbers of people within the communities to handle those increases in work anyway. That is probably quite an issue for Christmas Island at the moment.

CHAIR—And the training issues that you spoke of. Finally, I want to raise the issue of telecommunications. I note in the submission that, because the quality of broadband services that are provided is deemed to be metro comparable, the islands were not eligible for the broadband guarantee program.

Mr Yates—That is correct.

CHAIR—I will probably place some questions on notice, given the time, but can I ask you what the department's approach is to procuring the department's bandwidth needs and whether the department bandwidth needs help underpin the business case of the local business Christmas Island internet services?

Mr Yates—I think that is one that is probably best answered on notice, partly because I need to get advice from our IT people.

CHAIR—I am quite happy for you to do that, because of the time.

Mr Yates—I will take it on notice, if I may.

CHAIR—Thank you. On that basis, colleagues, I would like to thank our witnesses from the Attorney-General's Department for their evidence and their attendance here today. You have been asked to provide responses to questions on notice, so please forward those to the secretariat by the 30th of this month. You will be sent a copy of the transcript of the evidence, so you will be able to make any corrections of fact or grammar. And Hansard may wish to check some details with you before you leave. Thank you again.

[1.23 pm]

DUNLOP, Dr James Nicholas (Nic), Private capacity

MARGETTS, Ms Diane Elizabeth (Dee), Private capacity

Evidence was taken via teleconference—

CHAIR—Welcome. Is there anything you want to say about the capacity in which you appear by teleconference today?

Ms Margetts—I am a former senator but currently a PhD student from Western Australia.

CHAIR—Thanks, Dee. It is good to hear your voice again.

Dr Dunlop—I am someone with a long-term history and interest in Christmas Island.

CHAIR—Thank you. Although the committee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. I now invite you to make an opening statement to the committee.

Ms Margetts—Thanks. Nic is going to start, and I will add some points after that.

Dr Dunlop—I will start by just explaining our background and connection with Christmas Island. I first went to Christmas Island in 1984 and was there until 1986 working with the then Phosphate Mining Company of Christmas Island as its conservation officer. I subsequently did some contract work for the Australian National Parks and Wildlife Service on one of the seabird species on the island. I then did not go back to Christmas Island until around 1996, when I took Dee to the island to show her around and Dee decided to invest in a piece of heritage property—which she has been paying for ever since! That has been taking us back to the island fairly consistently since the mid-nineties.

Since the time that I left the island, which was when the Phosphate Mining Company of Christmas Island was in the process of closing down, I have been interested in an economic future for the island. Because of that, we have both been members of the Christmas Island Tourism Association now for some years and have been assisting in some of the developmental programs for tourism on the island that have been occurring over the last few years.

We returned from Christmas Island on Sunday morning. I was involved there with two of those developmental projects, one of which is a product called Bird and Nature Week, which is now running for its fourth year. It is basically a bird tourism product managed by the tourism association and Island Explorer Holidays. I went there initially voluntarily and now go on a slightly paid basis as one of the scientist guides for that product. The other group that were there at the time were the National University of Singapore High School, who have also been regular

visitors at this time of year as part of their student curriculum. There are other groups like that arriving at the island shortly.

In April last year I also organised an Indian Ocean seabird conference, which was, I think, the first professional conference that has been held on Christmas Island. It was an experiment in whether small conference tourism was something that could be feasible on Christmas Island. Certainly it was quite a successful conference, with about 30 delegates who were interested in seabird biology from around the Indian Ocean rim region.

One of the disappointing things this year has been that it has become increasingly difficult to manage all of those tourism products on the island as well as other tourism products that are carrying on, because of a couple of factors. One has been the increasing uncertainty with respect to the charter flight arrangements. As you can imagine, it is very difficult for any tourism enterprises to run a tourism system with forward bookings when there is no certainty about where and how people can get to the island and at what cost.

The other factor which is making life very difficult at the moment is the current refugee bubble, the consequences of which are that a very large proportion of the island's services capacity has now been absorbed or taken over by the functions of the detention centre, meaning that, even after several years of now quite successful marketing of various products, that market is now under considerable threat because of the simple fact that, for the foreseeable future, it is going to be very, very difficult to supply accommodation, vehicles and all the other things necessary for visitors.

So the island is very vulnerable to these peaks and troughs in economic activity. The peaks in many ways are somewhat more destructive than the troughs when you are trying to develop some sort of steady state economy for the future.

We normally have in excess of 20 visitors from the net marketed bird product that we have going there. This year we were down to nine. We lost more than half of our intended visitors because of changes in airline destinations and the availability of seats on flights. Unfortunately this has done nothing of much use for the reputation of tourism on the island.

What we are very concerned about now is that, when this current bubble in relation to refugees subsides, we may not have a market left. We are caught in a very difficult space at the moment of wondering how to market and what to market, because we are very uncertain about the supply side of what we will be able to do in the future. Compounding that problem is that we have a cruise ship arriving at the island in December with something like 1,200 people on board. You can imagine under the present circumstances how problematic it might be to provide tourist visitor services for that number of people with the amount of capacity that we have left.

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.

Another cloud which is hanging over tourism marketing and development is the future of the mining operation. When we do get adverse comments from visitors to the island, they are frequently about the dust and amenity associated with the mining operation and also the lack of any effective rehabilitation and the prospect of forest clearing resuming.

All those things are a threat both in terms of environmental quality and in terms of destination reputation as far as Christmas Island as a tourism destination is concerned. In my view, we have to get away from what I would call a cargo cult approach to the economy of Christmas Island, which is a tendency to find one big solution for the island's economy. In my view, the best future is in a diverse range of much smaller activities—not one employer but many employers—with the service industries being pre-eminent and utilising the fact that Christmas Island is so close to South-East Asian markets. It has, for a small community, a relatively high standard of facilities. Those facilities could be used in an export context as well as in the local community context. Health, education services, tourism, research—and Christmas Island is quite strategically placed in terms of some aspects of climate change research and oceanographic research and island ecology research—could all be important functions for the island in the future. But that future depends on doing all we can right now to maintain the quality of the island's environment. I will conclude my remarks there.

Ms Margetts—I will add some comments linked to my part of the submission. The jobs on Christmas Island tend not to be simply one full-time job. Many people on the island have either full-time and part-time or multiple part-time jobs. That is what happens in remote communities like that, because of the necessity and because obviously tourism is not necessarily something that is providing jobs every day and every week. There are many small businesses, and they need some sort of basis on which to survive.

The current accommodation shortage is quite extreme. It is a shortage for both tourists and workers. We were contacted a couple of months ago by people pleading with us to see if we could put up some people coming to the island for a school circus project. It seemed to be a fantastic project but the school did not have places where they could put those people coming to work in the school and also with a number of the refugees on the island.

Rent is higher than what it was and is reaching a peak. I believe the cost of buying houses and properties has increased considerably, but I do not know what those levels are. Interestingly enough—Nic was talking about the flights—our flights there and back did not have a lot of passengers on them. It was not necessarily that there were not people who wanted to go to the island. As Nic said, when people are planning their trips in advance, they do not necessarily know what is available and what it is going to cost. As we know—and as I know, with my background in the tourism industry, having worked for Qantas for six years in the 1970s and for about a year in the 1980s—there is an issue in terms of being able to plan ahead of time.

If you are planning tours and want to regularly organise, develop and promote ecotourism, you need to know things generally at least two years in advance so you can make your bookings, go to the location, organise effective tours, events and activities for people, have employees that you can work with, who are either from the island or can come to the island, and have the time to

promote those things. It would be very interesting to find out from the Western Australian travel association how many travel agents in Western Australia are actually aware of how to book for Christmas Island or even of what is available for Christmas Island.

The lack of accommodation, in addition to that, has meant that a number of people who have tried to book for the island have been told that they could get on the flight but there was nowhere that they could stay when they got to the island. That is the irony. We were on flights in both directions which had very few passengers on them because there was nowhere much for people to stay on the island.

It is worth while asking some questions about things like the Chinese literary society noodle house. For the first time in 13 years, that I am aware of, that was closed. Apparently there was a notice on the door saying that the rent had increased. It appears that it was in financial difficulties. There was a lot of voluntary work in that as part of the community. To have a situation where there is not sufficient income for a vital service such as the Chinese noodle house on Christmas Island is an indication that there must be some real questions asked about what is happening and how it can be dealt with.

In my part of the submission, I also mention the necessity for property management. At the moment there is still no licensed property manager on the island, so for those people on or off the island who have properties, leasing out their properties effectively and making sure that that kind of accommodation is available—short term, medium term or long term—becomes more difficult.

Considering there are a number of people travelling to the island, in terms of working with the detention centre providing services or assistance, many people who are going to the island for the short to medium term want somewhere that they can stay where they can provide their own food and have some other activities while they are on the island. That means that there possibly needs to be some rezoning or lifting of some restrictions on zoning so that there are places that people can stay, where they can live, where they can make their own food and where they can participate in their work. There are not sufficient locations for that at the moment.

Nic mentioned the benefits of ecotourism and such things as conferences. It is not just the birds, there are so many aspects on the island that are quite unique. As I understand it, there is a diving conference going to occur next year. It will be very interesting to see whether that is going to go through the same sort of difficulties, whether it is going to have the success that you would expect considering what a wonderful location Christmas Island is for snorkelling and diving. Unfortunately there is a push to continue with what is considered to be interim economic activity by extending the phosphate mining into other areas. That going to have enormous damage to the environment and provide much more critical problems for the species that are in trouble there now from both climate change and such things as the crazy ants and crab loss and so on. As Nic suggested, it is not something that we should be extending as interim economic activity. We have actually got to look at what the options are for the future and see what the Commonwealth government can do to make sure that those things that are needed for other kinds of range of economic activity are able to survive. That is all for our introduction.

CHAIR—Thank you very much to both of you.

Senator FERGUSON—Welcome. Dee, you have spent a lot of your time talking about the opportunities that exist perhaps for tourism on Christmas Island. As members of the tourist association, do you know how many tourists there were to Christmas Island either last year or the year before?

Dr Dunlop—No, I do not have the statistics to hand, but I think you will be talking to the association if you have not already and they should be able to give that information directly. Also it can be a little bit difficult actually working out what a tourist is, because there are all sorts of people going there for all sorts of reasons and it is not always easy to discriminate.

Senator FERGUSON—The reason I ask is that amongst your recommendations you talk about things like conference tourism needing to be promoted, tourist infrastructure needing to be developed. Somebody had to develop this and someone has to promote it. I would suggest that perhaps you are looking at a niche market rather than a mass tourism market. If we are to ask a hundred people in the street a trip to Christmas Island or to Bali, and probably Bali would be cheaper, I would venture to say that almost all of the average people would say, ‘I would rather go to Bali because there are different things to do.’

Ms Margetts—I might say, Alan, but that is not necessarily my view. You have got the recreation centre, which was a very successful location for conference and for many people who go to a conference in a fantastic environment, where you can have your conference but also have an amazing tourism experience while you are there, it is terrific. Those people who have been there and really enjoyed it would be able to back that up. So the reality is that if you have a range of conferences you could in fact have a conference more than once a month in that kind of location. So you have got money coming in to help the recreation centre be more economically effective for the community, you have got more regular usage of tourism activities and you have got a whole range of things which enable things like the diving, the fishing charters and the other tourism potential services to survive. I do not think that is impossible.

Dr Dunlop—You are right, 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.

Senator FERGUSON—When you talk about tourism infrastructure needing to be developed, who do you anticipate is going to pay for that infrastructure development?

Ms Margetts—What I have been trying to say is that in effect the ecotours and the conference ideas and so on will be possible if people know ahead of time that the flights are there, that they can book them ahead of time with a group booking, that they can make group bookings for accommodation. It is a circular thing. You have to have that security in order to go to the various developers and people who potentially would be fantastically interested in developing such ideas to be able to tell them they have that potential to make those plans and to organise it in the way they need to. So in a way it is a circular thing, that security of flights and accommodation, especially flights. The accommodation will increase, as I understand it, if we know there are more people coming. But in a way you need to make sure that the basis of it, especially the flight security, is going to be guaranteed.

Dr Dunlop—To give you an example, since SARS and a number of other issues to do with air travel for tourism in our region, there was quite a major shift in cruise liner activity in the eastern Indian Ocean South-East Asian region. Christmas Island now has a number of cruise liners that literally go straight past it from Fremantle up to various destinations in South-East Asia. They are looking for stops which provide a 24-hour opportunity for their patrons to do different things, whether that is diving, forest tourism, bird tourism or just getting off the ocean for 24 hours and going shopping or whatever. The market is there and the government is I think spending something like \$3.5 million on making sure that cruise liners can actually land their patrons on the island. The current port facilities do not exist. There is an opportunity for a maritime situation on Christmas Island where there is quite a large market. The big challenge now is not so much building hotels and physical infrastructure; that is far less important. The environmental quality is far more important than that. You have already got facilities when you can get to use on the island that are quite good. But what is missing at the moment, and why I get flown up to Christmas Island a couple of times every year, is that we have yet to develop on-island capacity in terms of people who have the skills and training to, for example, provide a tour for people who might be coming off an ocean liner, a cruise liner, or flying in on a plane. That need for training is perhaps more important than the need to build a hotel or revisit the casino. Another thing that is important is that Christmas Island will work for tourism at a particular scale. It will not work on a large visitation rate scale. What it needs is consistent, relatively small visitation. That is the environment in which it will thrive.

Ms BURKE—Leading on from that, are you worried about the actual visitation of the cruise ships? On the one hand it seems like it is a great opportunity, but do you see it having a downside as well?

Ms Margetts—There is a substantial risk in some respects, because you might be aware that it is extremely difficult for them on the island to have sufficient fresh food and groceries to be able to supply large numbers of meals. So if you had to prepare to provide services and meals for up to 1,200 people, then if some reason, such as there being too much of a swell, the ship cannot actually land, there could be difficulty. They would be bringing people in on smaller boats from the ship rather than necessarily landing the ship on the island, but the reality is that there is a risk that the ship may not be able to get close to the island if there is a heavy swell. That means that if the island people prepare for this first event in December they are going to need assistance. They are going to need some sort of risk assessments so they can work out what works and what does not work. One example of that is that the current circus project with the school—which has got so many fantastic aspects in terms of art, music, creation, drama, you name it, it is just amazing—which is going to be performed in late September. Some aspects of that might be possible to provide to people when they arrive in the island in December, but you are going to need some assistance because a lot of the teachers will be off the island. So I think the Commonwealth needs in this first instance to provide some assistance to make sure that the risks involved in providing the services will be backed up.

Dr Dunlop—My concern about that at the moment is that it is occurring, I believe, before the community is ready to engage with that kind of activity. It is occurring at a time, for example, when Parks Australia are battling with some very serious issues and their role is going to be severely constrained with being able to assist with guiding or whatever, people getting involved with the national park. It is also occurring during the crab migration season, which puts significant constraints on how people can move around on the island. As I mentioned earlier,

there is a very low capacity at the moment to work with these people both in terms of human resources and in terms of basic infrastructure and availability of vehicles and buses and those sorts of things.

Ms BURKE—We are going to have to wind up soon because it is almost question time. On the crab issue, how important is the crab population to the overall island ecosystem and to the tourism? We heard just the other day about the baiting process for the crazy ant. How does that all fit in in the picture that you are seeing?

Dr Dunlop—It is pretty fundamental. The Christmas Island ecosystem is a unique ecosystem because the crabs have done what Darwin's finches have done on the Galapagos. They have basically radiated and filled out all the major niches in the forest ecosystem. So they are both a spectacle and also the keystone component of how the ecosystem works. One of the serious problems we now have is that, because of the crazy ants issue, large chunks of the forest that were controlled by land crabs are no longer controlled. So the feral predators that we have on island, and we have had them for a hundred years, cats, rats, wool snakes a more recent one, the giant centipede, which may well be implicated in the loss of the pipistrelle bat, have now got a much larger base on the island in which to penetrate forest and build up in numbers. This seems to be the core reason why our reptiles and the pipistrelle and the ecosystem in general are now highly threatened. Once upon a time these feral predators only had as a base the settled areas and the mined-out areas but they have now got a whole lot more of the forest that they can access and stay in long enough to influence the ecology. 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 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.

CHAIR—Thank you, Dee and Nic. We are going to have to conclude this hearing because question time is imminent. Hearing your contribution today has been very interesting. Thank you very much. I should encourage you if you do have any more thoughts or issues you would like to add, the committee is more than happy to receive a supplementary submission. For the moment, I would like to thank you for the information you have provided. You will be sent a copy of the transcript of your evidence that you can make corrections relating to grammar and fact. Hansard may wish to contact you for clarifications. If you would like to supply any additional information, please do it by Wednesday, 30 September. Thank you very much again for joining us by teleconference today.

Ms Margetts—Thank you.

Resolved (on motion by **Ms Burke**):

That the committee authorise publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing today.

CHAIR—I declare the public hearing closed.

Committee adjourned at 1.56 pm

