



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL
AND EXTERNAL TERRITORIES

Reference: Changing economic environment in the Indian Ocean territories

THURSDAY, 29 OCTOBER 2009

CANBERRA

CONDITIONS OF DISTRIBUTION

This is an uncorrected proof of evidence taken before the committee. It is made available under the condition that it is recognised as such.

BY AUTHORITY OF THE PARLIAMENT

[PROOF COPY]

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://parlinfo.aph.gov.au>

JOINT STANDING
COMMITTEE ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES

Thursday, 29 October 2009

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

Members in attendance: Senators Crossin and Lundy and Ms Burke

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

**CLAY, Mr Stephen, Acting Assistant Secretary, Territories and Information Law Division,
Territories West Branch, Attorney-General's Department 1**

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

Committee met at 10.24 am

CLAY, Mr Stephen, Acting Assistant Secretary, Territories and Information Law Division, Territories West Branch, Attorney-General's Department

YATES, Mr Julian, 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 the economic environment in the Indian Ocean territories. The evidence given today will be recorded by Hansard and attracts parliamentary privilege. I remind members of the media who may be monitoring this hearing of the need to fairly and accurately report the proceedings of the committee.

Today the committee welcomes back representatives of the Attorney-General's Department. Although the committee does not require you to give evidence on, 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. I now invite you to present any additional submissions or make an opening statement, or both.

Mr Yates—Thank you, Senator. We have no opening statements or additional submissions.

CHAIR—Okay. Thank you for making yourselves available. Can I start by saying that the committee's visit to both Christmas and Cocos was obviously very insightful and I want to ask you straight up: what does the department see as the priority strategies to be able to render sustainable some of the economic stimulus that is occurring as a result first of all of the detention centre but also the ongoing efforts to promote Christmas Island as a tourist destination?

Mr Yates—The first response I would make there is regarding the task force that Minister O'Connor has established, chaired by Mr Ian Govey, a deputy secretary in our department. It met yesterday, for its first meeting, with Mr Bob Correll, a deputy secretary from Immigration, and Mr Gerard Early, a deputy Secretary from Environment. Its task is expressly focused on addressing that sustainability question. We have prepared a range of measures that are being discussed within the task force at the moment that are around providing a long-term sustainable environment for Christmas Island in particular, and that will in fact flow on to Cocos. That will be presented to government.

These measures are around the infrastructure needed to sustain increased activity on the island. We are looking at what community support measures may be needed, and I cannot go into much more detail at this stage because the discussions there are at an early stage. On that particular point I note that there is a visit occurring on Christmas Island at the moment where there are a number of senior officers from Australian government departments meeting with a range of key individuals out there, including the shire president, to get some initial views and observations that will feed back into this process. I am going out to Christmas Island specifically in the period 6 November through to 12 November. We will again be meeting with key stakeholders out there, including the shire, to seek amongst other things further feedback from them on what we might do for the longer term.

Senator LUNDY—Thank you for that. This hearing gives us the opportunity to test with the department some of the ideas and discussions that occurred through the course of the inquiry. One of the significant issues that emerged at both public hearings, on Christmas and on Cocos, related to freight costs and transport costs and the issue of shipping cabotage. Obviously on Christmas Island that is a big issue, and on Cocos even more so, because we understand there is a functional monopoly in shipping to the islands. The evidence we received was highly critical of that arrangement. We received evidence that people felt that that impinged severely on the sustainability of the island as a tourist destination, not least because the businesses that would sustain the tourist destination have this extraordinary premium that they pay just to underpin the bare basics. So I want to explore with the department what prospect or what discussions are taking place in relation to both shipping costs and cabotage and also the air freight loadings and high costs that are associated with transport to the island.

Mr Yates—If I can seek a clarification, when you refer to cabotage, is that in relation to air transport, because that is our understanding of where the issues are as opposed to cabotage in sea freight?

CHAIR—It was just the freight costs for shipping but cabotage in relation to airfreight.

Mr Yates—With respect to the freight costs, it is clearly an issue that has been around for some considerable time. The Australian government has policy settings regarding the coastal shipping arrangements and the fact that the current sea freight route is unregulated. From the Attorney-General's Department's perspective, that is not a policy area we have direct influence on. We do seek to support the freight movement through operating the ports with a considerable indirect subsidy, in that the charges we place on use of the port are well below the operating costs of the port. We are also, as you are aware, building a new port at Rumah Baru, which will improve the efficiency on Cocos. The best I can say at this point regarding whether or not the sea freight is regulated is that that is a matter that we push when we are able to but it is not within the department's ability to resolve. It is a matter for another part of the Australian government.

Senator CROSSIN—What are you doing to make representation? When you say, 'It is another government department's responsibility,' is that because they would fund it? You cannot fund it out of the bucket of money you get for Christmas and Cocos islands? What proactive work is the department doing about the high cost of freight issue?

Mr Yates—The most proactive one we are doing is the port at Rumah Baru, which is a substantial project to improve the efficiency.

Senator CROSSIN—I am talking about the cost of freight.

Mr Yates—In terms of the cost of freight, we have made approaches and had discussions with the other departments on this over periods of time but it is not a policy that is dealt with by us.

Senator CROSSIN—Which departments do you talk to, who are your lobbying or what sort of discussions are you having?

Mr Yates—The Department of Infrastructure, Transport, Regional Development and Local Government is the agency responsible for this area under their maritime policy. It is not an area

that we claim an expertise in. Specific questions on that nature should probably be directed to them.

Senator CROSSIN—Tasmania, I understand, get some kind of freight subsidy. Is that correct?

Mr Yates—They do, that is correct.

Senator CROSSIN—Do you know what that is?

Mr Yates—Other than general knowledge that there is a freight subsidy provided in Tasmania, no.

Senator CROSSIN—Is that paid for out of the department of infrastructure?

Mr Yates—I believe so, but for the details on that you would need to refer to them.

Senator CROSSIN—Given that the freight issue and cost is a problem and has been a problem for a long time, why has your department not thought about looking at what happens with Tasmania and making the same representations to the department of infrastructure for the people on Christmas and Cocos islands?

Mr Yates—We have considered it and discussed it, but it is not an area where we can force any change. It is a matter for the relevant minister and that department.

Senator CROSSIN—But have you done any research? Have you even got a paper that you could take to Infrastructure and say, 'Here is the research and here is what we think ought to happen. Can you guys now take this up or look at it further or get back to us about it?' Have you even gone that far?

Mr Yates—I would note here that we have made recent submissions to the coastal shipping inquiry that covered that specific aspect. That is a public part of the process of what we have done in making representations on this issue.

Senator CROSSIN—But that is a public inquiry. You have not lobbied in this way at department-to-department level for people up there on the island?

Mr Yates—Our major focus has been on getting the port infrastructure operating efficiently, which we are doing. We have had—although not recently because as you will recall we were in the former DOTARS, which did have carriage of that—regular discussions on that particular issue. What I need to do with the staffing and resources I have got is focus on where I am most likely to have an effect. At the moment we are having considerable effect in getting the port infrastructure operating more efficiently.

Senator CROSSIN—So you are saying in order to do some research on the freight subsidy you would need more staff to dedicate time to that.

Mr Yates—If we have more staff I could do that, but I am not sure as to whether that would deliver a result. As I say, we have put the effort into providing the paper that was given to the coastal shipping inquiry that makes those points. Reiterating those points may or may not change that policy setting. It comes back to that being a policy matter for another part of the government to probably respond to.

Senator CROSSIN—Perhaps you could provide that submission to us as well.

Mr Yates—Certainly.

CHAIR—Just following up on that, you mentioned in your answer to my first question that a number of senior departmental officials are out there looking at the broader issue of sustainability and economic activity. Is one of those representatives from the transport and infrastructure department that could form a view on the merits or otherwise of the impact of a freight subsidy?

Mr Yates—I do not believe so. I do not know the exact composition of the people who are visiting but I do not believe so.

CHAIR—It concerns the committee because we had so much weighty evidence and, when we asked witnesses to prioritise the one shift that they felt would make a substantive and sustainable difference to things like tourism on island and the sustainability of small businesses needed to support all of the Commonwealth's activities on island, this was the one that they kept coming back to.

Mr Yates—And that is something I think the committee could probably quite legitimately highlight in its report. You also asked some questions about the airfreight issue. Again, we have put a lot of effort into increasing the number of flights to the islands and have done it in such a way as to ensure that Cocos gets a good ability to access airfreight for the provision especially of perishable fresh fruit and vegetables. That seems to be working quite effectively, based on my own observations, in recent visits there in a private capacity, as well as on the substantial reduction in the number of complaints being received compared to, say, four or five months ago. So we have dealt I think quite effectively with that.

We try to operate the airfreight and the air service arrangements in a way that offers value for money for the Commonwealth as well as certainty for the communities. This does mean that the costs do need to reflect some of the commercial realities of flying a very long flight with relatively small numbers of people and airfreight, with the Commonwealth role providing that underpinning arrangement so that there is certainty that the flights will occur. We do not think the airfreight charges for the distance are unreasonable, but do note that obviously they are not cheap because of the distances concerned. We also note that the decision by the government some time ago not to apply the GST to the islands was in specific recognition of the high costs of freight and access to the islands. So there is also an important policy measure that has been in place for some time where the GST has not applied to both islands. I cannot give you an analysis that says whether that completely offsets it or not, but it is a substantial measure to support the islands.

Ms BURKE—The other issue that kept coming up was the cabotage issue about passengers and the fact that the planes cannot go Malaysia-Christmas Island- Perth. So it is not just about the freight issue but the tourism value of that transportation issue. That came up constantly. So I am wondering if that has been discussed or is on anyone's radar. It is obviously a policy that we have. But there was previously an exemption for the casino, obviously, so it has happened previously.

Mr Yates—Cabotage, as you correctly say, is a regular issue. It is one where, again, we have made many representations within government about seeking an exemption for it. We have not been successful in that. It is certainly an issue where a proponent wants to use an international airline, such as Malaysia Airlines or SilkAir, to conduct what are considered domestic services—essentially, where a flight originates on Christmas Island going to, say, Perth or Christmas Island to Cocos. The cabotage rules at the moment prevent that. On the other hand I do have to note that there are a number of Australian airlines that can operate a Perth-Christmas Island-Singapore service, or reverse, where there is no cabotage issue. It is also quite possible for proponents to establish arrangements where an international provider such as SilkAir has a linkage with an Australian domestic airline.

So it is an issue. It is not a completely insoluble issue at present. As I say, we have made many representations regarding seeking an exemption, but the government has chosen to retain that policy. If you need to understand the reasons you would need to talk to the department of infrastructure, as they have coverage of that.

CHAIR—Are you able to provide to the committee correspondence to that effect from the department to the appropriate regulatory authority?

Mr Yates—I would like to take that question on notice, if I can. A lot of the material was done by verbal conversations when we were in Infrastructure.

CHAIR—Sure. Even memos I think would be useful for the committee to have a clear picture of the nature of that advocacy.

Mr Yates—I will take that on notice.

CHAIR—Thank you. What is the update on the air services contract?

Mr Yates—The tender evaluation panel is meeting today and tomorrow to assess the tenders that have been received. We remain confident of getting a result before the end of this calendar year.

Ms BURKE—There was a loss of criticism, as you would appreciate, while we were there about how it was handled last time and about the disruption it caused. There was a great deal of concern they did not want to go through that again. Various group tourist bookings particularly for the bird season this year were a bit of a whitewash because they could not tell in advance the number of services. It seemed from the anecdotal evidence on island that it was more about the plane than who was providing the service. Everyone seemed to have the view that someone had an opinion about what sort of plane it should be versus what sort of service. So I want to get a

view of what the criteria are in this tender process. What are you looking at to provide the service?

Mr Yates—We are obviously looking for a provider who is able to operate an aircraft that is sufficient over that length, desirably avoiding the Learmonth stop in most weather conditions. We are looking for a provider that can work with the tourism industry to develop tourism—that is one of the specific criteria, to have a tourism development plan. A value for money proposition for the Commonwealth is important, but so are affordable airfares. Whilst the events to do with the last contract were certainly highly undesirable from our viewpoint, I do have to note here that no passengers were stranded, no flights were cancelled and we were able to achieve a more modern and cheaper airfare arrangement out of the extension with Cobham. So while it certainly was not desirable I have to note that there were also a number of successes in that regard.

Senator CROSSIN—Where is the situation at with trying to support the air services operation on Christmas Island, the locally owned air service?

Mr Yates—This is AIOTA's arrangement?

Senator CROSSIN—Yes.

Mr Yates—We continue the arrangement where we have had ministerial approval to waive the landing fees for the flights from the north, which assists them. I understand they are changing from Malaysia Airlines to SilkAir, starting on Saturday, I believe. But that is only from media releases we have seen; we have not had into the Canberra office any advice, emails or faxes from them to say that that is what they are doing. I understand they have also made a bid in the air service tender, which, as I say, is being assessed at the moment.

CHAIR—We did hear some evidence from a range of witnesses about the changing views towards the former casino facility. We heard from a number of witnesses that they no longer felt that the reopening of the casino was necessary for the future sustainability of the island. From the committee's experience, this did reflect a change in view. It was not necessarily universal, but people did make an explicit point about that. What is the department's current view of the prospect of the reissuing of a casino licence at that resort facility?

Mr Yates—If I can talk from the policy perspective, the Australian government's position is unchanged in that it would consider any casino licence application on its merits. As yet there is no casino licence to consider. I do note from a practical sense that the part of the building with the casino in it has continued to deteriorate, and the Commonwealth is taking appropriate action under the condition of the lease with Mr Kwon. I might note that we are meeting with Mr Kwon tomorrow to further these discussions.

CHAIR—Really? How interesting. It would be beneficial for the committee if you could report back the outcomes of that meeting if they are publicly reportable.

Mr Yates—We will take that on notice, to the extent that we are able to report on them publicly. So there is a practical issue in terms of the work that would be needed to make that premises suitable, but there is also the simple policy issue that we have no licence application to consider or provide advice to government on at the moment.

CHAIR—That is an important point. In relation to your meeting with Mr Kwon, are you able to outline the Commonwealth's concerns as they currently stand?

Mr Yates—At this point I would prefer to simply say that we will be discussing with Mr Kwon his obligations under the lease.

CHAIR—I would like to ask a couple of questions about the impact of the detention centre facility. One of the things that became apparent was that, for all of the economic stimulus that is occurring, there are also specific challenges involved including the unpredictability of the needs, the requirements, the food and the casual workforce at peak times such as we are experiencing now. What is the department's approach to managing those obvious contingencies in relation to the Commonwealth's detention centre on Christmas Island and how does that interrelate with the appointment of an economic development officer?

Mr Yates—That is a complex question. I will answer in a number of parts. In terms of what the department is specifically doing at the moment, we have made representations and discussions with Immigration about the need for long-term focus in this respect in terms of local employment and the impact on the community. These issues were discussed at yesterday's task force meeting, which will lead to further consideration of what might be done and advice to ministers in the very near future on that. I notice in this respect that Immigration's new guarding provider, Serco, has explicitly sought to do as much local recruitment as it can and is focused on getting recruits from the Cocos (Keeling) Islands, which we thought was a very positive result. I do not specifically know what effect it has had in terms of Cocos. That would be a matter for Immigration to respond to.

We are also looking at the infrastructure sustainability, what additional works may need to be done and how that can be done sensibly to provide further local skills and capabilities improvements. Similarly, we are progressing some of the stuff from the council in that regard to assist them to become more capable of doing works. The dual use Pathways projects are examples. One of those projects, near completion recently, is the Territory Day Park to Smith Point walking trail. It was a useful project to assist the shire to improve its project management skills. Similarly, we are working with them on the works to reopen Linkwater Road, which will also meet a longstanding community demand to have that road reopened.

We are looking at the effects on accommodation and having continuing discussions with Immigration about that side of things. On that, I do have to note that there are a number of landowners on Christmas Island who have land that would be appropriate, available and in a suitable location for development, but as yet they have not responded to this increasing demand. There is perhaps a sense of frustration on our side when there is clear unmet demand and they, for whatever reason, are not responding. That is something I would like to address with them further and perhaps say there is an opportunity, for their own economic self-interest, to respond. Some others have responded.

CHAIR—That was discussed in the hearing. My recollection is that it came back to the shipping freight costs. To have material brought in to build has an exorbitant cost. Whilst the market might be in demand, there are significant personal costs to sustain that investment, and in what are generally not particularly buoyant times anywhere in the economy there is reticence to do that. So it came back to the shipping costs to get the materials to the island. It may have been

by the shire president, Mr Thomson—I will have to check that—but there was some reference to that being a barrier to housing investment in the way that you describe.

Mr Yates—I suspect that that is probably not an inappropriate view. I mentioned previously when we were discussing that issue that that might be a matter the committee could usefully comment on for the government as a whole to consider.

Ms BURKE—The other issue was about the competing interests of departmental staff versus tourists, not just for beds but also getting on the plane. Block bookings made for departmental staff, whether they were turning up on the plane or not, were knocking off block bookings for tourist groups. So there were a lot of competing interests along the way, which at one level was good, but that was actually deterring the long-term growth of the tourism industry.

Mr Yates—That is exactly correct, and one of the reasons we put on the extra flights was to address that. We monitor forward bookings on a weekly basis to see whether there is availability, and there still is at the moment. I am looking at the forward bookings and starting to think about whether an additional flight may or may not be needed, particularly over the high-demand period of Christmas and New Year. We recently extended the additional two extra flights a week through to the end of the current contract, to 31 March, to provide further certainty for the community that there will be seats available. When I have been out on the islands I have discussed with the hire car providers getting more hire cars and they have started to respond, which is excellent. We did things ourselves like instead of disposing of some of our older vehicles we transferred them to Immigration, which saved them some money but then also took pressure off hire cars. Accommodation, as I have mentioned, is something that we are in regular discussion with Immigration about how we can work together to provide some relief there.

Senator CROSSIN—Where are the planned demountables going to go?

Mr Yates—This is the Immigration ones?

Senator CROSSIN—Yes.

Mr Yates—The majority, as I understand it, are going in the space at the back of the immigration detention centre where they had the construction lay-down area.

Senator CROSSIN—The new immigration centre?

Mr Yates—That is correct. For the actual details of what they are doing there you would need to talk to Immigration, but my understanding is that most will go there. They may well do some at Phosphate Hill.

Senator CROSSIN—Will the power, sewerage and water just be extended to there?

Mr Yates—That is correct. Because we have the utilities already going to the detention centre it is a relatively easy matter to extend them. Our power, water and sewerage people on the island are working on this at the moment with Immigration to make that occur.

Senator CROSSIN—Are the demountables up at Phosphate Hill fully utilised?

Mr Yates—I cannot answer that question; that is a matter for Immigration. I do not know the exact details of that.

Senator CROSSIN—I just wondered if they were liaising with you about it.

Mr Yates—Their primary liaising at the moment is about ensuring that the additional demountables will be able to be functional, and most of that is about connecting the utilities. I understand they are also discussing with the shire the development application process as well, but that is a matter for Immigration.

Senator CROSSIN—What is the potential at the resort for accommodation numbers—do you know?

Mr Yates—Based on the last visit I had and some reports we have got on the viability, there are about 40 rooms that are in a reasonable standard that of themselves could be brought into use as soon as anyone chose to. The kitchen in the main building is serviceable, but the main building has some problems with the integrity of the roof that would have to be addressed. The sewerage system is not functional and would need to be brought into service. I understand that the parts are largely available on island and that the skills are available to do so, should the owner, Mr Kwon, do so.

Senator CROSSIN—And the number of rooms that are not serviceable?

Mr Yates—I think it had 150 rooms, so somewhere around 110 are not serviceable. Some, in my non-engineering view, are not repairable—they are bulldoze jobs. Some, with some investment to deal with concrete cancer and roof issues, could be brought into service, but I could not give you an exact breakdown of the proportion.

Ms BURKE—Our view would be very similar, having walked around it recently.

Senator CROSSIN—Yes, I have been walking around it quite often, but it seems ironic that you have got the capacity for at least 100 rooms and we are transporting demountables there.

Ms BURKE—My comment is more about the continual decline and the fact that nobody is doing something about it. I am not having a go at the department, please understand that. There is frustration with it and frustration on island about that sitting there. Everybody is hamstrung. I understand you are trying to deal with it, so please do not take it as a criticism.

Senator CROSSIN—Exactly.

Mr Yates—I should probably also mention that another activity under way at the moment is the installation at the Waterfall site of water infrastructure to give us a more diverse source of water but also provide a substantial increase in water availability. That project is under way at present and, as I understand, on target to come into service. From our viewpoint that will be an improvement not only in the quantity of water we have got available but in the robustness of the system because we will then have two quite distinct sources.

CHAIR—One of the other issues was the availability of basics like fresh food. There has been some discussion about the displacement for the local communities with respect to the department of immigration at peak times. Have those issues or concerns been raised with the department through any channel as yet and what can you do about it?

Mr Yates—Those concerns have certainly been raised. We have taken a number of actions. One is increasing the number of flights and in particular for Christmas Island setting the Saturday flight using a different aircraft to the normal one so that we can bring in more freight—I believe it is about three tonnes of fly-in freight—with the aim that that provides greater access to the shopkeepers on the island to bring in more fresh fruit and vegetables. I understand they are doing that. Immigration also flies from time to time its own charters, ones direct to the island from Australia and also from Indonesia, to bring in additional food and other supplies for their purposes.

When I talk to my own staff I ask about what access is like. As I said, I was there in a private capacity a couple of weeks ago. We were able to obtain fresh fruit and vegetables without much difficulty. In fact it was better than on some other occasions. Certainly the prices were a bit higher than what you would pay in Perth, but we were able to get them. It has never been easy to get fresh fruit and vegetables out on the islands, even in the lower demand times, because it is a long flight and it is costly.

We believe the Australian government, through providing an underwritten air service and increasing the number of flights, have ensured that there is availability of airfreight to both islands. We have done this by making sure there are flights to Cocos that do not get completely consumed by Christmas Island's demands and by having the Saturday service with the additional freight to meet that demand. It is under further review. It is one of the aspects being considered by the task force. It is under constant review.

Ms BURKE—There is also a review about the capacity to produce on island. There were some discussions with the development officer over there about looking at, given the limitations, what could be produced on island.

Mr Yates—That is also an important part: to try to increase local capacity.

Mr Clay—There was an application for a horticultural feasibility study that is currently with the minister's office, I think, and that is probably close. That would be looking at the sorts of crops or trees that might be useful not only for Christmas Island but also for Cocos with a view to having more on-site produce. We have been facilitating that, and it is part of the role of the economic development officer is to shepherd some of that through as well.

Senator Lundy, I think you mentioned before the linkage between the economic development officer and accommodation. I know of at least two parties who are currently in discussion with Mr Millcock around accommodation provision for the island. It is part of his job to try to facilitate that, to help out the people who might have an interest in providing businesses and projects on the island.

CHAIR—I have a couple of questions about telecommunications and the digital television service. We found that quite a bit about the status of that. There are significant issues on both

islands but the situation facing Cocos is perhaps the most dire. We heard evidence that the Christmas Island Internet Association's technical person is leaving Cocos and that representatives from Christmas Island Internet said that they were contemplating whether or not they still had a future on Cocos. My questions to the department are: where is your thinking at, firstly, with respect to the department's needs for the procurement of bandwidth and, secondly, what is your contingency plan in the face of Christmas Island Internet losing their technical staff and possibly their services, which do include mobile telephony on Cocos (Keeling) Island?

Mr Yates—If I can talk about the issues on Cocos, there are a great concern for us. One of the department's assistant secretaries who works on the information and communications technology side, some of his support staff and a senior Telstra officer are going to Cocos next week and then to Christmas Island the week after to quite specifically look at what we might do in this respect and whether we can encourage, cajole or convince Telstra to pick up certainly the mobile side of things and what they might or might not be able to do in terms of providing the ISP. So I do not have any immediate answers to that, except to say that we are very much aware of it, it is a significant concern for us and we have got people there next week and on Christmas Island the week after to look at this quite specifically and come back to us with some advice, which we can consider and then put some proposals or options forward to the minister. What that range of options is at this stage I cannot comment on.

CHAIR—That is good to know. In relation to digital television, the digital signal is received from a satellite but then distributed via analog system.

Mr Yates—Yes, we turn a really good digital signal into a not very good analog.

CHAIR—We did take a little evidence on this but I was also able to have further conversations on it—

Ms BURKE—Dragged off, I think, is more the description.

CHAIR—I understand that, with some strategic investment, it would be possible to upgrade the digital television service. There are a couple of ways of doing that, and the cost could be constrained certainly to tens of thousands of dollars, but it would have to be a strategic forward-looking investment. What is the current status of that possibility of an upgrade?

Mr Yates—It is not a possibility of an upgrade, it is a certainty of an upgrade. We are getting technical advice on precisely what hardware we need to put in. My understanding is very similar to what you have been told, that it is not a particularly difficult process. We already get the digital signal in; it is a case of putting in the necessary digital transmission equipment. I am told we may need to put some additional towers in, because the digital does not go around corners quite as well as the analog. So that side of it is under way as we talk, with the aim of giving us some advice. I have funding—

CHAIR—Are you getting technical advice from the island?

Mr Yates—We are getting technical advice from some consultants—

CHAIR—Can I encourage you to get technical advice from the techs on island.

Mr Yates—and I have spoken myself to the techs on island who have given us very useful advice on how to do this.

CHAIR—I am sorry, there is a division being called in the Senate so I have to go to the chamber. We will have to place the rest of our questions on notice, if that is okay.

Mr Yates—That is fine.

CHAIR—Thank you for your appearance and your evidence today.

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

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 11.05 am