

The Parliament of the Commonwealth of Australia

Governance in the Indian Ocean Territories

Final report: Economic Development and Governance

March 2016
Canberra

© Commonwealth of Australia 2016

ISBN 978-1-74366-424-7 (Printed version)

ISBN 978-1-74366-425-4 (HTML version)

This work is licensed under the Creative Commons Attribution-Non Commercial-No Derivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website:

<http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.



Contents

Chair's foreword	ix
Membership of the Committee	xiii
Terms of reference	xv
Abbreviations.....	xvii
Recommendations	xix

REPORT

1 Introduction	1
Referral and terms of reference	1
Interim report.....	2
Scope of this report	3
Conduct of the inquiry.....	4
Report outline.....	5
2 Tourism	7
Overview	7
Chapter outline.....	7
Tourism in the Indian Ocean Territories	8
Attractions	8
Committee comment	10
Visitor profile	10
Barriers to tourism.....	11
Visitor statistics	12

Committee comment	13
Indian Ocean Territories tourism associations exclusion from mainland tourism structures	14
Budget.....	14
Service Delivery Arrangement with Tourism Western Australia	15
Regional tourism associations.....	16
Tourism Australia.....	18
Australia.com	18
Australian Tourism Exchange	19
Aussie Specialist Program	20
Immigration detention activities	21
Committee comment	23
Air access to the Indian Ocean Territories	25
Reliability – lead times for route or schedule changes	26
Affordability – wholesale and promotional fares	27
Convenience – flight access from the north	28
Committee comment	30
Insurance	31
Committee comment	33
3 Regional Development Organisation and Mining to Plant Enterprises Project	35
Overview	35
Chapter outline.....	36
RDO structure and functions	37
RDO and the Community Development Grants Program	38
RDO and MINTOPE – developing agriculture	39
Committee comment	44
Future of the RDO	45
Committee comment	46
4 Land management and development.....	49
Overview	49
Chapter outline.....	51
Profile of the Indian Ocean Territories	51

Crown land management framework	52
Available land.....	54
Committee comment	57
Barriers to land development.....	57
Geological mapping of Christmas Island.....	58
Committee comment	61
Reform of the Cocos (Keeling) Islands land trust.....	62
Committee comment	65
Land management framework	66
Lack of strategic vision and commitment	66
Updating the Crown land management framework	68
Crown land disposal ordinances	69
Committee comment	71
Transferring Commonwealth property to shires for reuse.....	73
Committee comment	74
5 Service Delivery Arrangements.....	77
Overview	77
Chapter outline.....	78
Consultation	79
Consultation mechanisms	79
Community dissatisfaction with consultation	83
Calls for a formal consultation protocol	87
Committee comment	89
Accountability and transparency.....	90
New accountability and transparency measures	93
Committee comment	96
Modern SDA funding and contractual arrangements	97
Indian Ocean Territories Special Account	98
New SDA template.....	100
Committee comment	101
Value for money	101
Local government involvement in SDA	103
Committee comment	104

6	Role of the Administrator.....	107
	Overview	107
	Chapter outline.....	109
	Devolution of Administrator role	110
	Need to clarify the Administrator role	112
	Committee comment	115
	Future of the Administrator role	117
	Committee comment	123
7	Governance reform	125
	Overview	125
	Chapter outline.....	126
	Strategic importance of the Indian Ocean Territories.....	126
	Committee comment	128
	Current governance arrangements	128
	Summary of criticisms of governance arrangements.....	129
	Costs of public administration.....	130
	Resources of the Department of Infrastructure and Regional Development	131
	Committee comment	133
	A 'democracy deficit'?	134
	Committee comment	137
	Improvements and alternatives to the governance model	139
	Communication channels.....	139
	Committee comment	140
	Role of local government	140
	Committee comment	145
	Incorporation into a state (Western Australia) or territory (the Northern Territory).....	146
	Not a new idea	146
	Western Australia preferred option for some.....	148
	Committee comment	149
	Territory alternative	150
	Potential difficulties	150
	Potential positives	151

Moving toward a decision making process.....	151
Other factors for consideration.....	152
Committee comment.....	153
Transitional arrangements	156

APPENDICES

Appendix A – Submissions and other documentary evidence.....	159
Submissions.....	159
Other documentary evidence.....	163
Appendix B – Public hearings	167
Thursday, 26 March 2015 – Canberra.....	167
Wednesday, 8 April 2015 – Cocos (Keeling) Islands.....	167
Thursday, 9 April 2015 – Christmas Island	168
Friday, 10 April 2015 – Christmas Island.....	169
Friday, 8 May 2015 – Perth	170
Thursday, 14 May 2015 – Canberra	170
Thursday, 25 June 2015 – Canberra	171
Thursday, 13 August 2015 – Canberra	171
Thursday, 20 August 2015 – Canberra	172
Thursday, 10 September 2015 – Canberra.....	172
Thursday, 17 September 2015 – Canberra.....	172
Thursday, 15 October 2015 – Canberra.....	173
Thursday, 12 November 2015 – Canberra.....	173
Monday, 23 November 2015 – Canberra.....	173
Thursday, 3 December 2015 – Canberra	174
Appendix C – Indian Ocean Territories services provision.....	175
Services delivered by Western Australian Government agencies.....	175
Via formal Service Delivery Arrangements (SDA)	176
Via an exchange of letters.....	178
Services delivered by private providers.....	179

Services delivered directly by the Commonwealth..... 180

TABLES

Table 7.1 IOT Budget Summary at 31 May 2015 (Inclusive of Approved Additional Estimates, Movements of Funds, Revenue Adjustments and Parameter Adjustments)..... 130



Chair's foreword

In my foreword to the interim report for this inquiry I observed that economic development, governance arrangements and service delivery in the Indian Ocean Territories (IOT) have long presented complex challenges. Inquiries by this Committee and others have highlighted these problems and made recommendations for improvement. Yet it seems that change, when it has occurred, has not always been for the better or necessarily benefited IOT residents.

The interim report put aside the substantive consideration of governance arrangements, in order to focus on some aspects of economic development that evidence indicated could kick-start the local economy. This second and final report considers other measures that can enhance economic activity in the IOT, and addresses long standing issues with service delivery and governance.

In assessing what else is needed to stimulate economic activity in the IOT the report focuses first on additional supports to increase tourism through further promotion of the IOT as a unique destination, and capacity building assistance for the IOT tourism associations. Consideration is next given to enhancing the role of the IOT Regional Development Organisation to better support economic growth and diversification. Also, to build investor confidence and encourage appropriate development, the Committee makes recommendations to improve land management, identifying the need to conduct a detailed geological survey on Christmas Island, as a priority, along with clarifying the operation of the land trust on the Cocos (Keeling) Islands.

Dissatisfaction with the management of service delivery was evident to me and others when the Committee visited the IOT in April 2015. Residents' expressed

concern that the fire and emergency services on Christmas Island were in jeopardy when the existing service delivery arrangement was about to expire and a new arrangement had not been negotiated. The Committee makes recommendations to improve consultation with the community on service delivery arrangement negotiations, and to increase transparency and accountability.

Turning to governance, it is essential to clarify the role and responsibilities of the Administrator, including outlining specified delegations. It became clear that over time the duties and functions undertaken by successive Administrators have differed. In order to achieve the Commonwealth responsibilities, it appears that the Department of Infrastructure and Regional Development has taken over more and more of the responsibilities that traditionally belonged to the Administrator. Administrators without a clear list of responsibilities and officials trying to fill a void of uncertainty has resulted in increasing uncertainty over who is responsible and for what. This is both for the Administrators and for the communities in the IOT.

Most recommendations in this report seek to improve the current economic situation and governance system. However, the Committee has reached the view that significant improvement will not be achieved without fundamental governance reform. The final chapter of the report examines options for reform, including incorporation of the IOT into an Australian state or territory. Although this Committee is not the first to suggest that governance of the IOT should be normalised in this way, it is more than two decades since this proposal was last seriously considered.


There is no doubt that political will from the Commonwealth, and an interested state or territory government, together with an ongoing financial commitment from the Commonwealth, will be required to bring about reform of this magnitude. Importantly also, extensive consultation with residents of the IOT and other relevant parties will be crucial to determine whether incorporation into a state or territory is the most appropriate way of achieving a stronger foundation and new strategic direction for the IOT.

It is difficult to foresee the IOT ever achieving a level of self-sufficiency but the Committee was determined to examine governance and economic options that would make the delivery of services as cost effective as possible. The IOT are remote communities with high fixed costs but opportunities and efficiencies in the

areas of governance, economy and administration can be achieved, and the determination of the Committee drove the recommendations in both reports.

I would like to thank everyone who has contributed to the Committee's inquiry. In particular, I thank the residents of the IOT for sharing their views and experiences again, as many have over the years on long standing issues. I also express my thanks to the current Administrator, Mr Barry Haase, for his assistance in facilitating the Committee's 2015 visit to the IOT, as well as former Administrators and retired public servants for their valuable insights.

Mr Luke Simpkins MP
Chair



Membership of the Committee

Chair Mr Luke Simpkins MP

Deputy Chair Senator Carol Brown

Members

Senator Chris Back	The Hon Bronwyn Bishop MP (from 20/08/15)
Ms Gai Brodtmann MP	Senator Katy Gallagher (from 26/03/15)
Mrs Natasha Griggs MP (until 20/08/15)	Senator Sarah Hanson-Young
Senator Gavin Marshall (from 7/07/14)	Senator Zed Seselja
The Hon Bruce Scott MP	The Hon Warren Snowdon MP
Mr Ross Vasta MP	

Committee secretariat

Secretary	Dr Alison Clegg
Inquiry Secretary	Ms Sara Edson
Research Officer	Ms Samantha Leahy
Administrative Officer	Mrs Fiona McCann



Terms of reference

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

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



Abbreviations

ACT	Australian Capital Territory
AHA	Australian Healthcare Associates
ANAO	Australian National Audit Office
ASP	Aussie Specialist Program
ATDW	Australian Tourism Data Warehouse
ATE	Australian Tourism Exchange
CCC	Community Consultative Committee
CI	Christmas Island
CINC	Christmas Island Neighbourhood Centre
CIMP	Christmas Island Management Plan
CITA	Christmas Island Tourism Association
CIWA	Christmas Island Women's Association
CKI	Cocos (Keeling) Islands
CKITA	Cocos (Keeling) Islands Tourism Association
CLACI	Chinese Literary Association of Christmas Island
CLMP	Crown Land Management Plan

CPD	Commonwealth Property Disposal Plan
DIBP	Department of Immigration and Border Protection
DIRD	Department of Infrastructure and Regional Development
FOI	Freedom of Information
IOGTA	Indian Ocean Group Training Association
IOT	Indian Ocean Territories
IOTA	Indian Ocean Territories Administration
JSCNCET	Joint Standing Committee on the National Capital and External Territories
MACI	Malay Association of Christmas Island
MINTOPE	Mining to Plant Enterprises Project
NSW	New South Wales
NT	Northern Territory
PRL	Phosphate Resources Limited
RDA	Regional Development Australia
RDO	Regional Development Organisation
SDA	Service Delivery Arrangements
TA	Tourism Australia
TRA	Tourism Research Australia
WA	Western Australia



Recommendations

2 Tourism

Recommendation 1

The Committee recommends that the Department of Infrastructure and Regional Development require air carriers to the Indian Ocean Territories to distribute a visitor information card to all passengers for the purpose of collecting visitor data. The completed cards will be deposited in a marked box at the airport arrival terminals on Christmas Island and West Island for collection by the Christmas Island and Cocos (Keeling) Islands Tourism Associations.

Recommendation 2

The Committee recommends that the Department of Infrastructure and Regional Development negotiate a Service Delivery Arrangement, in consultation with the Christmas Island and Cocos (Keeling) Islands Tourism Associations, to facilitate access to tourism support services provided by Tourism Western Australia.

Recommendation 3

The Committee recommends that the relationship between Tourism Australia and the Indian Ocean Territories tourism associations be formalised. The formalised arrangement should include provision for Tourism Australia to build capacity, including promotion and marketing expertise, in the Christmas and Cocos (Keeling) Islands Tourism Associations. This could include secondment placements and mentoring opportunities.

Recommendation 4

The Committee recommends that the Department of Infrastructure and Regional Development exempt airline operators that are interested in providing scheduled international flights to Christmas Island from landing and security fees for an initial operational period of 12 months.

3 Regional Development Organisation and Mining to Plant Enterprises Project

Recommendation 5

The Committee recommends that the Department of Infrastructure and Regional Development review the scope, structure and functions of the Regional Development Organisation and publish the outcomes of the review on the Department's website.

If the review reveals that the organisation has merit in continuing, dedicated funding should be provided to support its scope, structure and functions.

4 Land management and development

Recommendation 6

The Committee recommends that the Department of Infrastructure and Regional Development, as a priority, commission a comprehensive geological survey on Christmas Island to inform land development and responsible water management.

The Department of Infrastructure and Regional Development should explore the options to share the cost of the survey with Phosphate Resources Limited.

Recommendation 7

The Committee recommends that the Department of Infrastructure and Regional Development engage a legal specialist to review the land trust on the Cocos (Keeling) Islands to determine legal ownership and control of all land with a view to reforming or replacing it.

New arrangements must be informed by agreement with trust beneficiaries, define the responsibilities and obligations of trustees to the people of the Cocos (Keeling) Islands, and subject to probity considerations, enable land to be leased or sold in support of economic development.

Recommendation 8

The Committee recommends that the Department of Infrastructure and Regional Development, as a priority, develop a Crown land management framework for the Indian Ocean Territories.

The Crown land management framework, including the updated Crown Land Management Plan and the Commonwealth Assets Management Plan, should be published on the Department's website, and a package of information made available to potential investors. The Crown land management framework should make clear the principles governing the release of Crown land, and the process that developers need to follow to lease and purchase available Crown land.

Recommendation 9

The Committee recommends that the Department of Infrastructure and Regional Development investigate whether Crown land disposal ordinances are warranted to facilitate the lease and sale of Crown land in the Indian Ocean Territories.

If Crown land ordinances are warranted, they should be established without delay.

Recommendation 10

The Committee recommends that the Department of Infrastructure and Regional Development transfer, on a long-term lease basis, the following Crown land assets on West Island to the Shire of Cocos (Keeling) Islands for development:

- the four commercially zoned parcels on Emden Walk;
- the Light Industrial Area bounded by the Sydney Highway, Fremantle Road and Alexander Street; and
- the land suitable for retail at lot 193 William Keeling Crescent.

5 Service Delivery Arrangements

Recommendation 11

The Committee recommends that the Department of Infrastructure and Regional Development develop, publish and implement a formal consultation protocol for Service Delivery Arrangements and the delivery of services in the Indian Ocean Territories.

Recommendation 12

The Committee recommends that the Department of Infrastructure and Regional Development continue to publish Service Delivery Arrangement factsheets and annual Indian Ocean Territories' budgets, and recommence the publication of annual performance reports for Western Australian agencies providing services in the Indian Ocean Territories.

These accountability and transparency documents should be made easy to locate on the Department's website and accompanied by current governance and administration information.

Recommendation 13

The Committee recommends that the Department of Infrastructure and Regional Development:

- publicise the process by which community engagement forms are monitored and responded to; and
- commit to responding to feedback provided via the community engagement form within a specified timeframe.

Recommendation 14

The Committee recommends that the Department of Infrastructure and Regional Development commit to publishing commissioned reports on issues affecting services in the Indian Ocean Territories, or a summary of report outcomes, as soon as practicable. This commitment should be specified within the Department's consultation protocol.

Recommendation 15

The Committee recommends that the Australian National Audit Office examine Service Delivery Arrangements between the Commonwealth and Western Australian agencies to determine whether:

- services are coordinated effectively;
- agreements are adequately monitored; and
- outcomes achieve value for money.

6 Role of the Administrator

Recommendation 16

The Committee recommends that the Department of Infrastructure and Regional Development, as a priority, identify all delegated and legislated powers vested in the Administrator, or departmental officials, for the governance and administration of the Indian Ocean Territories. This information should be contained in a register that is maintained and updated regularly to ensure currency.

Recommendation 17

The Committee recommends that the Minister for Territories provide the current Administrator and future Administrators with formal advice about their reportable responsibilities and a list of all legislated and delegated powers vested in the role. If, as a result of this undertaking, additional responsibilities are identified that attach to the role of the Administrator, these should be supported by a secondment of staff from the Department of Infrastructure and Regional Development.

The Department should also maintain publicly available information about the role of the Administrator, including readily accessible information on their responsibilities and decision making powers in relation to the governance and administration of the Indian Ocean Territories.

7 Governance reform

Recommendation 18

The Committee recommends that the Australian Government, in consultation with the shires, undertake a review of local government in the Indian Ocean Territories to determine if there is scope to streamline and amalgamate some functions.

Recommendation 19

The Committee recommends that the Australian Government seek formal advice from the Governments of Western Australia and the Northern Territory to determine whether they are receptive to the proposal for incorporation of the Indian Ocean Territories into their State or Territory.

Based upon a positive response to this proposal, the Australian Government should develop an incorporation model for consultation and review.

