

Transport, Housing, Land Management and other Urban Services

Transport

Air Services

- 7.1 Christmas Island and the Cocos (Keeling) Islands are Australia's most remote external territories. Christmas Island is 2,620 km north-west of Perth. The Cocos (Keeling) Islands are 2,770 km north-west of Perth. The Territories are 900 kilometres apart. The great distances from the Australian mainland, the need to fly over water and the small populations in the Territories are the main factors that influence air transport services.¹
- 7.2 National Jet Systems operates regular services from Perth to the Territories on Thursdays and Mondays of each week. There is an additional charter flight operated by Austasia from Jakarta to Christmas Island on Saturdays. The National Jet Systems service is subsidised by the Department of Transport and Regional Services at levels, according to the Department, well above those available to equivalent communities on the mainland or other island communities.² The Department informed the Committee that in 2002-2003 the subsidy was likely to be less than \$2 million, but that in

1 For a more detailed examination of the commercial regional aviation services in Australia and the external territories, see House of Representatives Standing Committee on Transport and Regional Services, November 2003, *Regional Aviation and Island Transport Services: Making Ends Meet – Inquiry into commercial regional aviation services in Australia and alternative transport links to major populated islands*, Canberra. The report can be found on the Committee's website at: <http://www.aph.gov.au/house/committee/trs/aviation/report/contents.htm>

2 Mr Mike Mrdak, Transcript, 12 May 2003, p. 242

the past it had been as high as \$3.5 million.³ With the subsidy, return economy fares between the Territories and Perth range from \$1100 to \$1700.⁴ The unsubsidised return economy air fare from Jakarta to Christmas Island is \$625.⁵

- 7.3 The Department of Transport and Regional Services stated that, under the subsidised arrangement with National Jet Systems, fares from Perth to the Indian Ocean Territories were based on comparable commercial fares on the mainland and the level of service. The Commonwealth subsidised the carrier to cover the difference between the fares thus calculated and the cost of providing the service.⁶ The comparable fares were those between Perth and Brisbane.⁷ The Committee understands that the current full economy fares for that route are similar to those from Perth to the Indian Ocean Territories, but advanced purchasing and other discounting on the Perth-Brisbane route can reduce fares by half.
- 7.4 The Department of Transport and Regional Services pointed out that the air service subsidy allows perishable goods to travel at approximately 30 per cent lower than standard airfreight rates.⁸ The sole air freight forwarders to the Indian Ocean Territories, Airfreight, stated that 'next available flight' freight rates are lower than mainland rates, but that 'next day' or 'economy rates' are far more expensive.⁹ The company claimed that the most valid Australian comparison is with the 'next available flight' option because "an urgent parcel for the Islands can have no higher service option, even though that option may be three days away".¹⁰
- 7.5 Freightshop also provided data on international freight rates to Madagascar, Mauritius and major Asian destinations. After taking minimum charges per consignment into consideration, the rates to the Indian Ocean Territories do not appear unreasonable. Freightshop submitted that current cargo rates represent a fair charge for the services provided.¹¹
- 7.6 The contract with National Jet Systems for the supply of air services to the Indian Ocean Territories will expire in April 2004. The first phase of a
-

3 Mr Mike Mrdak, Transcript, 12 May 2003, pp. 242, 244.

4 Christmas Island Tourism Website, <http://www.christmas.net.au/flights.html>

5 Christmas Island Tourism Website, <http://www.christmas.net.au/flights.html>

6 Mr Mike Mrdak, Transcript, 12 May 2003, p. 242

7 Mr Hugh Davin, Transcript, 12 May 2003, p. 243.

8 Department of Transport and Regional Services, Submissions, p. 643.

9 Freightshop, Submissions, p. 9.

10 Freightshop, Submissions, p. 8.

11 Freightshop, Submissions, p. 9.

tender process for a new contract, the submission of expressions of interest, has closed, and the second phase has begun. The Department of Transport and Regional Services stated that in the tender process the Department would attempt to minimise the taxpayer subsidy.¹²

- 7.7 Evidence received by the Committee indicates that there is concern in the Territories about the current cost of air transport and about the regularity of services. Mr Signa Knight, Chairman, Cocos Islands Co-operative Ltd, stated that:

The ticket is actually getting more expensive nowadays than when we used to have a proper airline. It used to be about \$700 or \$800 and now it has become about \$1700 to travel from here to Perth and return.¹³

Two community groups, the Christmas Island Women's Association and the Cocos Congress, pointed out that air fares were too high. Other witnesses involved in the tourist industry also complained of the cost of travel to the islands.¹⁴

- 7.8 National Jet Systems pointed out that fares are high because of the distances covered and because the small populations in the Territories do not allow the airline to take advantage of economies of scale.¹⁵ The Committee has noted with interest that the increased economic activity on Christmas Island during 2002-2003 had led to an increase in passengers, with a commensurate increase in the airline's revenue and a lower Government subsidy.¹⁶
- 7.9 The Committee would be concerned if the new tender for air services were to lead to any increase in the already-high airfares. It acknowledges the Department of Transport and Regional Services' proper concern to minimise the cost of the subsidy to taxpayers and agrees with the department's view that:

...at the end of the day we have to make judgements about what is a reasonable airfare. Are we holding back the growth of travel to the territories by that airfare? That has to be balanced with the amount we have available in the budget to subsidise that service.¹⁷

12 Mr Mike Mrdak, Transcript, 12 May 2003, p. 242

13 Mr Signa Knight, Transcript, 13 March 2003, p. 105.

14 See, for example, Mr Fred Robinson, Transcript, 11 March 2003, p. 5.

15 Mr Hugh Davin, Transcript, 12 May 2003, p. 243.

16 Mr Hugh Davin, Transcript, 12 May 2003, p. 243.

17 Mr Mike Mrdak, Transcript, 12 May 2003, p. 240.

7.10 The Committee nevertheless would support a reasonable increase in the level of subsidy if that were necessary to maintain airfares at no more than their current levels. Mr Edward Turner, Managing Director of Austasia Airlines Pty Ltd, stated that there was “no real aviation policy established to govern the air services to Christmas Island and Cocos Island”.¹⁸ Mr Turner suggested that an aviation policy specifically for both territories be developed and implemented, and that this policy should address such issues as:

- should there be subsidies to the north and to the south – that is, from Asia as well as from Australia;
- should there be a policy of establishing the coordination of air links north and south so that both islands prosper to the maximum degree in terms of bringing tourism activity to the islands; and
- there may also be ... some consideration to regulate air services.¹⁹

7.11 Mr Turner pointed out that his company, which has been operating a regular weekly service from Christmas Island to Jakarta for the past two years, was severely affected financially in the 2002 Christmas period when two other operators provided services to South-East Asia that jeopardised his operations.²⁰ Mr Turner also drew a parallel with services to small mainland communities. He stated that a recent Western Australian Government report had recommended that only one carrier should have access to all but three towns in Western Australia with populations of less than 10,000.²¹ Mr Turner noted that the report proposed that any sole carrier’s fares and services would be regulated by the Federal Government.²²

7.12 The Christmas Island Tourism Association noted that for the island’s tourism industry to grow there needs to be “assured regular flights from both the south and the north.”²³ The Association pointed out that:

In order to prepare brochures and to market tourism packages a lead-time of a year is needed. Wholesalers must be assured that flights are reliable and fixed in place.

18 Mr Edward Turner, Transcript, 11 March 2003, p. 20.

19 Mr Edward Turner, Transcript, 11 March 2003, p. 20.

20 Mr Edward Turner, Transcript, 11 March 2003, p. 20.

21 Mr Edward Turner, Transcript, 11 March 2003, p. 20.

22 Mr Edward Turner, Transcript, 11 March 2003, p. 20.

23 Christmas Island Tourism Association, Submissions, p. 410.

The dive industry on the island is heavily dependent on European tourists. Most have only a two-week window of opportunity to take their dive holidays. They need a reliable flight from the north. This is the first year that Christmas Island has been featured in major European wholesalers' catalogues. If the current flight ceases it affects not only the existing businesses, but also future bookings as well if the destination is perceived as unreliable.²⁴

Mr Hugh Davin of National Jet Systems supported this, noting that:

Probably the most important factor that needs to be considered at the moment in terms of giving the European dive market, in particular, the confidence to test those markets is stability within the air service structure.²⁵

- 7.13 Flights to the north are, of course, international flights and are subject to the Federal Government's aviation policies. The Department of Transport and Regional Services noted that the Government's policy is to "pursue liberal arrangements in the area of international air services".²⁶ In cases where an 'open skies' arrangement is not possible, the Government will "seek the most liberal arrangements possible".²⁷ This includes, according to the Department, a "regional airports access package which provides for unrestricted access for foreign and Australian carriers into both Christmas and Cocos (Keeling) Islands".²⁸
- 7.14 The Committee did not receive sufficient evidence to make a judgement on the need for a subsidy for the air services to the north, but accepts that their profitability may be marginal. As regards coordination of services north and south, there is already certainty of services within the Territories through the Government-subsidised National Jet Systems flights, which other carriers no doubt take into account. This will also be a consideration during the tender process for the supply of air services to the Territories. While agreeing with the proposition that reliable flight schedules are essential for the development of the tourist industry, the Committee is not convinced that granting a monopoly is necessarily the only or best way to achieve this.

24 Christmas Island Tourism Association, Submissions, p. 410.

25 Mr Hugh Davin, Transcript, 12 May 2003, p. 244.

26 Department of Transport and Regional Services, Submissions, p. 728.

27 Department of Transport and Regional Services, Submissions, p. 728.

28 Department of Transport and Regional Services, Submissions, p. 728.

Fire and Safety Services

- 7.15 Most international carriers require a category five standard of fire and safety services to be in place at airports. Neither of the airports on Christmas Island and Cocos (Keeling) Islands meets this standard. Mr Edward Turner pointed out that:

Currently the Commonwealth has an expression of interest for air services to Christmas Island and Cocos Island...one very important factor that has been left out of that expression of interest which will exclude nearly all major airline operators from operating RPT services to the island: there is no mention of the fire service facilities...Consequently, the expression of interest that has gone out will end up being restricted to a few what I suppose you might call regional operators.²⁹

- 7.16 The Department of Transport and Regional Services noted that although consideration had been given to upgrading the airports to category five in the Indian Ocean Territories, it would not be cost-effective to maintain that level of fire service given the current operations to the islands.³⁰ The Department also noted that the expressions of interest they had received to date did not identify the level of fire services at the airport as a primary issue, and that the department would look more closely at the issue should there be a proposal from an operator which required a higher level of fire service than is currently in place.³¹
- 7.17 The Department does acknowledge, however, that if the extension of the runway on Christmas Island goes ahead – which is dependent on the Asia Pacific Space Centre project also proceeding – there may be a need to look at increasing the standard of fire and safety services to a category five, given the heightened movement expected as a result of upgrading the airport to accommodate larger aircraft.

Shipping Services and Port Facilities

- 7.18 A supply ship from Fremantle, the *Finex Trader*, services both Christmas Island and the Cocos (Keeling) Islands approximately every four to six weeks.³² This is a commercial service that does not attract any subsidies;

29 Mr Edward Turner, Transcript, 11 March 2003, p. 20.

30 Mr Mike Mrdak, Transcript, 12 May 2003, p. 235.

31 Mr Mike Mrdak, Transcript, 12 May 2003, p. 235-237.

32 Department of Transport and Regional Services, Submissions, pp. 52-62.

the last shipping subsidy to the Cocos (Keeling) Islands was removed in the late 1980s.³³

- 7.19 Mr Signa Knight, Chairman, Cocos Islands Co-operative Ltd, stated that the Co-operative believed that the Commonwealth was reconsidering a shipping subsidy.³⁴ Mr Knight noted that:

In the last year or so the Co-op has been advised – not in writing; we have not seen anything in writing – that if the shipping companies become one – there used to be shipping companies, Cocos Traders and Western Shipping - the Commonwealth will put a subsidy into the freight processing onto the islands. We have watched it for a while and nothing has been confirmed.³⁵

- 7.20 The Department of Transport and Regional Services informed the Committee that it had commissioned a scoping study of shipping services to the Indian Ocean Territories in 2001. The study had found that the volume of freight being shipped to the Indian Ocean Territories from Fremantle made it profitable for one operator. It concluded that while the commercial service operated between Fremantle and the Indian Ocean Territories, any form of subsidy was without basis.³⁶ The Department also stated that it was not aware of any indications that subsidies would apply in the future.³⁷

- 7.21 Mr John Clunies-Ross pointed out that shipping rates varied greatly and that the contractor “has been squeezed bloodless or has made a huge windfall on the shipping sector alone”.³⁸ He considered that the Commonwealth, as the major customer either in its own right or through its contractors, should regulate rates and services. Not to do so would be “naïve and rather short-sighted”.³⁹

Port Facilities

- 7.22 The port for Christmas Island is at Flying Fish Cove on the north of the island, which is exposed to the north-west swell for part of the year. The Department of Transport and Regional Services reported in its annual report for 2001-2002 that construction of an additional port was expected

33 Department of Transport and Regional Services, Submissions, p. 643.

34 Mr Signa Knight, Transcript, 13 March 2003, p. 105.

35 Mr Signa Knight, Transcript, 13 March 2003, p. 105.

36 Department of Transport and Regional Services, Submissions, p. 643.

37 Department of Transport and Regional Services, Submissions, p. 643.

38 Mr John Clunies-Ross, Transcript, 13 March 2003, p. 141.

39 Mr John Clunies-Ross, Transcript, 13 March 2003, p. 141.

to commence during 2002-2003 on Christmas Island, to be utilised when Flying Fish Cove is closed during the swell season.⁴⁰ The Department informed the Committee early in 2003 that Consolidated Constructions had been awarded the contract to complete a \$1.6 million upgrade of the wharf pavement at Flying Fish Cove and a \$3.1 million contract to build the additional port facility at Norris Point. The Department stated that work was well advanced and that both projects were due to be completed by the end of March 2003.⁴¹

- 7.23 On Cocos (Keeling) Islands, there is a wharf on Home Island but freight for West Island is landed onto a beach.⁴² In its 1999 report, the Commonwealth Grants Commission recommended that a new marine facility on West Island was needed immediately.⁴³ In its 2001-2002 annual report, the Department of Transport and Regional Services reported that:

Environmental and feasibility studies have been completed on the Rumah Baru freight and passenger facility ... This project will provide a safe, efficient all-weather port and offloading facility to the community.⁴⁴

- 7.24 The Department of Transport and Regional Services had identified \$16 million in its capital works budget for the new offshore passenger and freight handling facility at Rumah Baru. Tenders were called, but all bids for the contract exceeded \$16 million. At the Committee's public hearing on 28 March 2003, the Department stated that it had revised the scope of the works and had gone back for new bids to the contractors who had expressed interest in the original project.⁴⁵

- 7.25 The Committee is concerned that more than four years have elapsed since the Commonwealth Grants Commission recommended that a new port facility should be built in the Territory.⁴⁶ If the technical problems at Rumah Baru are such that port facilities cannot be constructed at a reasonable cost, the Department of Transport and Regional Services should consider other possible solutions. The Committee has noted that

40 Department of Transport and Regional Services, *Annual Report 2001-2002*, p. 150.

41 Department of Transport and Regional Services, *Submissions*, p. 681.

42 Commonwealth Grants Commission, 1999, *Report on Indian Ocean Territories*, Canprint, Canberra, p. 58.

43 Commonwealth Grants Commission, 1999, *Report on Indian Ocean Territories*, Canprint, Canberra, p. xix.

44 Department of Transport and Regional Services, *Annual Report 2001-2002*, p. 150.

45 Department of Transport and Regional Services, *Submissions*, p. 681.

46 Commonwealth Grants Commission, 1999, *Report on Indian Ocean Territories*, Canprint, Canberra, p. 222.

Mr Clunies-Ross, for example, has suggested that the Commonwealth, like state and local governments, should become a partner in the construction. Mr Clunies-Ross said that if the Commonwealth were to buy the materials and ship them, local contractors could undertake the work within budget.⁴⁷

Recommendation 10

7.26 That, as a matter of urgency, the Federal Government undertake the construction of new port facilities in the Cocos (Keeling) Islands.

Public transport - The Cocos (Keeling) Islands Ferry Service

7.27 There is no public transport on Christmas Island. On Cocos (Keeling) Islands a ferry service operates between West Island and Home Island. A public bus service connects with the ferry. The Cocos Co-operative operates the services and maintains marine infrastructure under a contract with the Commonwealth, which owns the ferry and the other infrastructure. The ferry and affiliated services contract is the Co-op's main business. The contract with the Co-op has been renewed monthly since March 2003, because the Commonwealth is considering privatising the service.

7.28 In the latter half of 2002, the then Minister for Regional Services, Territories and Local Government, the Hon. Wilson Tuckey MP, asked the Department of Transport and Regional Services to consider and consult with the community on the possibility of privatising the ferry and marine services. The Minister reasoned that:

Provision of a free service by the Commonwealth prevents enterprising locals from starting a private ferry service or some other water transport service providing more flexibility in service frequency and services that are more responsive to demand. In addition, other Australians do not receive free service and providing them free does not provide customer service incentives nor encourage efficient service provision.⁴⁸

47 Mr John Clunies-Ross, Transcript, 13 March 2003, p. 143.

48 Department of Transport and Regional Services, Submissions, p. 692.

7.29 The ferry service was advertised and expressions of interest were invited for the end of March 2003. The Department is currently in the process of considering the expressions of interest.⁴⁹ The Chairman of the Cocos Islands Co-operative, Mr Knight, told the Committee:

We are very concerned for residents living on Home Island without a proper ferry service; that it will be a crisis – that everything will be harder for the community on both islands. This is a community benefit.⁵⁰

The marine contract amounts to approximately \$700,000 annually, and includes the ferry and bus services, the management of the marine assets and some ancillary expenses.⁵¹ The ferry service taken alone would be less than 50 per cent of the \$700,000.⁵²

7.30 The Department of Transport and Regional Services informed the Committee that user charges (other than for schoolchildren travelling to and from school) for the ferry and bus service were introduced on 1 January 2003.⁵³ The bus costs 50 cents one way and the ferry costs \$2 each way. The Financial Controller for the Cocos Islands Co-operative, Mr O’Grady, told the Committee that whilst the occasional user is not too concerned about the introduction of the ferry fares, it is the workers, particularly from Home Island, who feel the impact.

When the \$2 fare was introduced per one-way trip, there was a lot of dissension, particularly amongst the workers who have to come across here every day. Very few West Islanders go to Home Island to work. It is mostly the other way around of course ... Most of the workers are in basic trades...They are probably not on large incomes like in some of the cities...The average range of incomes on the island would be from \$15,000...⁵⁴

7.31 Mr O’Grady indicated that were full cost recovery fares of \$5 or \$10 each way on the ferry to be introduced at a later stage, travel costs between the Islands would become prohibitive. The Department of Transport and Regional Services informed the Committee that while it would wish to reduce the subsidy, in such a small market it is unlikely that a fully commercial service could operate unsubsidised. The Department also

49 Department of Transport and Regional Services, Submissions, p. 692.

50 Mr Signa Knight, Transcript, 13 March 2003, p. 104.

51 Department of Transport and Regional Services, Submissions, p. 642.

52 Mr Alan O’Grady, Transcript, 13 March 2003, p. 106.

53 Department of Transport and Regional Services, Submissions, p. 692.

54 Mr Alan O’Grady, Transcript, 13 March 2003, p. 106-107.

observed that public transport throughout Australia is subsidised.⁵⁵ The issue for the Department is whether the Commonwealth needs to own the ferry for the service to continue to operate.

7.32 The Chief Executive Officer of the Cocos (Keeling) Islands Shire, Mr Bob Jarvis, stated that the Shire considers that the Co-op is probably one of the best on-island groups to run the ferry service, given their size and resources.⁵⁶ The Cocos Co-op employs six crew members, one mechanic and a part-time supervisor in the provision of the ferry service.⁵⁷ The Department of Transport and Regional Services noted that it is conscious of the need for local employment and that employment would be an issue in the assessment of bids for the service.⁵⁸

7.33 The Committee is in no doubt that the Territory needs an affordable ferry service and, as is the case with public transport in some other areas on the mainland, a government subsidy is probably required. A subsidy is especially warranted because of the generally low levels of income in the Territory and because the Government has located its services on West Island, whereas the great majority of the population lives on Home Island. The Committee notes that the Government appears to accept that a subsidy will be needed, and that local employment will be a factor in any decision to privatise the service.

Recommendation 11

7.34 **That the Federal Government ensures the following:**

- **that a ferry service continue to operate between West Island and Home Island; and**
- **the abolition of fares for this service.**

55 Mr Mike Mrdak, Transcript, 28 March 2003, p. 193.

56 Mr Robert Jarvis, Transcript, 13 March 2003, p. 117.

57 Department of Transport and Regional Services, Submissions, p. 643.

58 Mr Mike Mrdak, Transcript, 28 March 2003, p. 197.

Housing

- 7.35 The Commonwealth has been the major housing provider in the Indian Ocean Territories for many years and owns a substantial stock of housing in both Territories. In December 2002 the Commonwealth owned 192 residential properties on Christmas Island and 39 on Cocos (Keeling) Islands.⁵⁹ Some of these properties were occupied by public housing tenants, some by Commonwealth employees and contractors, and some by local government employees and private sector organisations.⁶⁰
- 7.36 The Department of Transport and Regional Services informed the Committee that it was engaged in identifying houses surplus to the Commonwealth's requirements and, where appropriate, arranging for their disposal. A number of houses occupied by Commonwealth employees have been sold with lease-back arrangements or transferred to other Commonwealth agencies. Houses occupied by contractors or other third parties were being auctioned or otherwise sold.
- 7.37 For houses occupied by public housing tenants, the Department stated that it was pursuing the application of Western Australian housing policies and practices.⁶¹ In the context of the development of service delivery arrangements generally, the Department stated that:
- ...we are applying the policies and eligibility requirements on the WA housing agency Homewest to ensure that, in our State Government role, we are only providing 'welfare' housing to those who would be eligible under WA eligibility criteria. We will then be able to divest ourselves of non-core housing stock 'normalising' the housing market in the IOTs. Homewest has been assisting us with the implementation of this policy under an SDA.⁶²
- 7.38 At the time of the public hearings, Christmas Island had experienced an increase in demand for accommodation, owing to the increased building activities on the Island linked to the Immigration Reception Processing Centre and Asia Pacific Space Centre projects. The Shire of Christmas Island pointed out that private rents had increased by 100 per cent or more

59 Department of Transport and Regional Services, Submissions, p. 689.

60 Department of Transport and Regional Services, Submissions, p. 52.

61 Department of Transport and Regional Services, Submissions, p. 689.

62 Mr Mike Mrdak, Transcript, 28 March 2003, p. 189.

since construction relating to these projects began.⁶³ This had increased the demand for public housing significantly.⁶⁴

7.39 On Cocos (Keeling) Islands the Administration is responsible for housing on West Island and the Shire Council is responsible for housing on Home Island. As stated above, the Commonwealth has been disposing of houses on West Island which are surplus to its requirements. Mr Ron Grant, a long-time resident, informed the Committee that the Commonwealth's strategy of auctioning off West Island houses had caused house prices to rise sharply, and that this had caused West Island residents a number of problems. In particular, non-residents had bought some of the properties at inflated prices and had rented them to visitors or persons on the Islands on short-term contracts. According to Mr Grant, this had not addressed the pressing housing needs of long-term residents of West Island.⁶⁵

7.40 There were concerns also about the way in which the policies were implemented, the treatment of West Island residents compared with those on Home Island and lack of access to mortgage funding. The Committee was informed that residents had received only three weeks' notice from the Administration to complete Homeswest eligibility review forms that contained the following criterion:

Should you not complete the form or fail to return it by the due date this could result in you being deemed to be ineligible either to continue to rent the house you occupy or to purchase it.⁶⁶

7.41 The Committee was also informed that approximately 100 houses on Home Island that had been built with Commonwealth funds and passed to the Council would be sold to tenants at prices dictated by social and economics objectives, not the market as is the case for the houses on West Island.⁶⁷ The Cocos (Keeling) Islands Economic Development Association (CKIEDA) proposed to the Committee three different options for disposal of the houses that it said would be fairer to West Island residents.⁶⁸

7.42 The Committee has not investigated these options in depth and has not formed a view about which option, if any, would be appropriate. It has concluded, however, that the transfer of residential property on West Island has not been sensitively handled. It agrees with CKIEDA that the

63 Shire of Christmas Island, Submissions, p. 332.

64 Shire of Christmas Island, Submissions, p. 332.

65 Mr Ron Grant, Submissions, p. 291.

66 Mr Ron Grant, Submissions, p. 293.

67 Mr Ron Grant, Submissions, p. 297.

68 Mr Ron Grant, Submissions, pp. 297-298.

various issues affecting the Commonwealth's long-term tenants should have been fully discussed between the parties before any action was taken.

Recommendation 12

- 7.43 That the Federal Government consult more fully with those affected by its policies of disposing of its properties before taking any further action to dispose of the properties.**

Land Management

- 7.44 Town planning schemes have been developed for both Territories according to applied Western Australian planning legislation. The Department of Transport and Regional Services has a service delivery arrangement with the Western Australian Department of Land and Administration under which the WA Department maintains land information for the Indian Ocean Territories and provides mapping products and computer access for land status and ownership.⁶⁹ It provides planning services to the Department of Transport and Regional Services and, where appropriate, provides the respective local governments with statutory and strategic planning assistance and advice. An independent and impartial valuation service is also provided the WA Office of the Valuer General.⁷⁰
- 7.45 On Christmas Island, according to the Christmas Island Shire Council, there are five major stakeholders in land management:
- the Department of Transport and Regional Services;
 - the Department of the Environment and Heritage;
 - the Department of Immigration, Multicultural and Indigenous Affairs;
 - Christmas Island Phosphates; and
 - the Asia Pacific Space Centre.

69 Department of the Premier and Cabinet, Office of Federal Affairs, Western Australia, Submissions, p. 139.

70 Department of the Premier and Cabinet, Office of Federal Affairs, Western Australia, Submissions, p. 194.

The Council stated that the Immigration Reception and Processing Centre (IRPC) project had increased the pressure on the availability of affordable residential and industrial/commercial land.⁷¹ Another issue raised by the Council was that the Shire had been negotiating with the Commonwealth for a new landfill site for six years, with little progress, and for 18 months for a new waste transfer site. The Council stated that:

The Shire is surprised that land can be released extremely quickly for Commonwealth projects, ie. IRPC, but cannot be resolved quickly for such a critical service as landfill sites and protection of the groundwater.⁷²

- 7.46 On Cocos (Keeling) Islands, there were two particular issues that were brought to the Committee's attention – disposal of Buffet Close and future use of the former quarantine station. In relation to Buffet Close, the Shire President, Mr Ron Grant, pointed out that the Commonwealth had offered the property for sale without considering:

a proper integrated land management plan for the development of the site ... in conformity with the land management schemes of the shire, which owns six-sevenths of the land on Cocos.⁷³

In the event, Buffet Close failed to attract a single bid when it was put up for auction in October 2002.⁷⁴ Mr Grant informed the Committee that at a meeting with the Shire Council on 26 February 2003, the Minister had said that his preferred option would be to hand over the property to the Shire Council for it to develop. The Shire Council fully supports that option.⁷⁵

- 7.47 Mr Grant stated that there needs to be a far more comprehensive integrated land management scheme between the Commonwealth and the Shire.⁷⁶ The Department of Transport and Regional Services pointed out that it had commissioned “a complete study of future land uses which took into account the various environmental issues and the like for the island” by the Western Australian planning authorities.⁷⁷ The Committee is not in a position to judge whether the Department can do more to meet the Council's request for a more comprehensive plan or whether there is simply a communication problem.

71 Shire of Christmas Island, Submissions, p. 332.

72 Shire of Christmas Island, Submissions, p. 334.

73 Mr Ron Grant, Transcript, 13 March 2003, p. 94.

74 Mr Ron Grant, Transcript, 13 March 2003, p. 94.

75 Mr Ron Grant, Transcript, 13 March 2003, p. 97.

76 Mr Ron Grant, Transcript, 13 March 2003, p. 94.

77 Mr Mike Mrdak, Transcript, 28 March 2003, p. 200.

The Former Quarantine Station on Cocos (Keeling) Islands

- 7.48 The former quarantine station is owned by the Australian Quarantine and Inspection Service (AQIS) and was to have been subdivided and sold. AQIS informed the Committee that the plans were to have been put to the Shire Council in 2001.⁷⁸ From September 2001, however, the facility was needed to house people who had arrived illegally. Although it is no longer used for that purpose, the Department of Immigration, Multicultural and Indigenous Affairs requested that the facility remain available until the new IRPC on Christmas Island was built and was operational.⁷⁹ The Department of Transport and Regional Services informed the Committee that the government is retaining the site until that time.⁸⁰
- 7.49 AQIS stated that since the Department of Immigration, Multicultural and Indigenous Affairs had left, there had been several requests from the Administration and the Cocos community to secure sub-leases over buildings on the property. These had been refused because:
- ...AQIS received advice from local authorities that the facility was in need of major repairs to essential services ... it was estimated repairs could cost in the order of several hundred thousand dollars. AQIS has no access to funding for such repairs and given the current state of the property and the associated legal and insurance implications associated with providing access to the site, AQIS is advising interested parties that the property cannot be tenanted.⁸¹
- 7.50 As AQIS no longer has a local presence on Cocos (Keeling) Islands or a requirement for the site, it is intended to divest the site by way of sale or transfer at the earliest opportunity.⁸² AQIS stated that it was discussing with the Department of Transport and Regional Services the possibility of transferring the property to the Shire.⁸³

78 Australian Quarantine and Inspection Service, Submissions, p. 725.

79 Australian Quarantine and Inspection Service, Submissions, p. 725.

80 Mr Mike Mrdak, Transcript, 28 March 2003, p. 200.

81 Australian Quarantine and Inspection Service, Submissions, p. 726.

82 Australian Quarantine and Inspection Service, Submissions, p. 726.

83 Mr Timothy Carlton, Transcript, 12 May 2003, p. 231.

Other Urban Services (Utilities)

7.51 The Commonwealth is responsible for utilities infrastructure and delivery in the Indian Ocean Territories. In its annual report for 2001-2002, the Department of Transport and Regional Services reported that:

The day to day activities associated with service delivery and the provision of public utilities (eg water, electricity, sewerage) is provided by the on-Island Administrations. In 2001-2002 approximately \$25.8 million was expended by the Christmas Island Administration and \$10.1 million by the Cocos Island Administration.⁸⁴

7.52 The Department of Transport and Regional Services informed the Committee that water and sewerage services on Christmas Island and most of the utilities on Cocos (Keeling) Islands are managed by WaterCorp, a Western Australian government business enterprise. The Commonwealth retains management of power generation and distribution on Christmas Island, but the Western Australian Office of Energy is assessing options for future service provision.⁸⁵

7.53 Three issues were raised in evidence. The first was power failures on Home Island, the second concerned the sewerage system on that Island and the third related to public utilities management. Two witnesses on Cocos (Keeling) Islands, Mr Pirius, who appeared for the Cocos Co-op, and Mr Grant, told the Committee that there were frequent blackouts on Home Island.⁸⁶ The Home Island power station was destroyed by fire in 2000 and electricity since that time has been generated by portable generators. The Committee has been informed that the design and construction of electricity infrastructure on Home Island has now gone to requests for tender.⁸⁷ But, as Mr Grant stated, it has taken two to three years to advance this issue.⁸⁸ Mr Grant also suggested that the issue of sustainable energy resources be reviewed in conjunction with environmental issues which may affect the territory, such as climate change.⁸⁹

84 Department of Transport and Regional Services, *Annual Report 2001-2002*, p. 151.

85 Department of Transport and Regional Services, *Submissions*, pp. 688-689.

86 Mr Pirius, Transcript, 13 March 2003, p.113 and Mr Ron Grant, Transcript, 13 March 2003, p. 95.

87 Information provided by Department of Transport and Regional Services.

88 Mr Ron Grant, Transcript, 13 March 2003, p. 95.

89 Mr Ron Grant, *Submissions*, p. 286.

- 7.54 The Federal Government has considered initiatives for the use of renewable energy sources for the generation of electricity. The Department of Transport and Regional Services commissioned a feasibility study into renewable energy on Cocos (Keeling) Islands. The study, which was completed in June 2002, found that wind power and biomass would be economically viable as an augmentation to the existing system or any future electricity generation arrangements.⁹⁰
- 7.55 The second issue of concern to the community during the Committee's hearings on Cocos (Keeling) Islands was that an inadequate sewerage system had been installed on Home Island. Mr Knight stated:
- There is also concern from residents of Cocos Island, particularly on Home Island, with the sewerage project that was put in by the Commonwealth. There were two different projects – one is on Home Island and one is on West Island. We learn that the Home Island sewerage pump is smaller or is not as good as the one on West Island. If we have a lot of rain, that facility is going to cause a lot of problems on Home Island.⁹¹
- 7.56 The Department of Transport and Regional Services informed the Committee that the cause of Mr Knight's concern was a one-off incident that had taken place on 29 and 30 January 2002.⁹² The incident had occurred at a time when there had been significant rainfall on Cocos (Keeling) Islands and the construction of the new vacuum sewerage treatment system was still in the commissioning stage.⁹³ The Department stated that since the Commonwealth had taken over the project in April 2002, there had not been any reports of similar problems occurring during periods of heavy rainfall.⁹⁴ The Department has not received reports of anything other than minor operational problems since the system was commissioned.⁹⁵
- 7.57 The third issue of concern related to the management of the utilities. The Shire of Cocos (Keeling) Islands informed the Committee that it was interested in taking over many of the services delivered by the

⁹⁰ Department of Transport and Regional Services, Proposal Brief, Request for Proposal of the Design and Construction of Electricity Generation and Supply Infrastructure for Home Island, Cocos (Keeling) Islands, May 2003, p. 5.

⁹¹ Mr Signa Knight, Transcript, 13 March 2003, p. 105.

⁹² Department of Transport and Regional Services, Submissions, p. 643.

⁹³ Department of Transport and Regional Services, Submissions, p. 643.

⁹⁴ Department of Transport and Regional Services, Submissions, p. 644.

⁹⁵ Department of Transport and Regional Services, Submissions, p. 644.

Commonwealth, including utilities management.⁹⁶ The Shire Council considers that it could deliver these services in a more cost effective manner and with considerably more local input. The Council stated that it was interested in making a bid to supply the new electricity generating facility on Home Island in partnership with a company off-Island.⁹⁷ The Department of Transport and Regional Services informed the Committee that the shires will be free to tender for the delivery of utilities if and when they are market tested.⁹⁸

Recommendation 13

That the Federal Government negotiate with the Shire of Cocos (Keeling) Islands with respect to the transfer of utilities on which there is mutual agreement.

96 Shire of Cocos (Keeling) Islands, Submissions, p.265; Mr Robert Jarvis, Transcript, 13 March 2003, p. 121.

97 Shire of Cocos (Keeling) Islands, Submissions, p. 265; Mr Robert Jarvis, Transcript, 13 March 2003, p. 121.

98 Mr Mike Mrdak, Transcript, 28 March 2003, p. 189.

