



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL
AND EXTERNAL TERRITORIES

**Reference: Review of annual reports 2001-02 of the Department of Transport and
Regional Services and the Department of the Environment and Heritage**

TUESDAY, 11 MARCH 2003

CHRISTMAS ISLAND

BY AUTHORITY OF THE PARLIAMENT

JOINT COMMITTEE ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES

Tuesday, 11 March 2003

Members: Senator Lightfoot (*Chair*), Senator Crossin (*Deputy Chair*), Senators Hogg, Lundy and Scullion, Stott Despoja and Mr Causley, Ms Ellis, Mr Johnson, Mr Neville, Mr Snowdon and Mr Cameron Thompson

Senators and members in attendance: Senators Crossin, Hogg, Lightfoot and Scullion and Mr Snowdon

Terms of reference for the inquiry:

On 21 March 2002 the Committee resolved that, in respect of its review of the Annual reports of the Department of Transport and Regional Services 2000-01 and the Department of Environment and Heritage 2000-01, which stand referred to the Joint Standing Committee on the National Capital and External Territories by the House of Representatives, it annually monitors the External Territories in order to review the development of services and the implementation of programs to a standard commensurate with equivalent mainland communities. In particular, the review should consider:

- Justice and community safety;
- Education;
- Environment and heritage;
- Health and community care;
- Transport, housing, land management and other urban services;
- Economic development and tourism;
- Social and welfare services;
- Utilities.

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Committee met at 9.40 a.m.

CHAIRMAN—I declare open this public hearing of the Joint Standing Committee on the National Capital and External Territories review of the annual reports of the Department of Transport and Regional Services and the Department of the Environment and Heritage for 2001-02 in relation to the external territories. The aim of this review is for the committee to monitor whether services are developed and programs implemented on Christmas Island to a standard commensurate with equivalent mainland communities.

It is incumbent on the Commonwealth to provide a good standard of service to all Australian citizens and this committee is mandated under its resolution of appointment to review the government's management of all Australia's external territories. The purpose of this visit to Christmas Island is to enable the committee to learn the Christmas Island community's views. An important role of parliamentary committees is to take parliament to the people and to encourage direct contact between the members of the public and members of the parliament. Committee inquiries enable members to be better informed about community views and it should also be noted that this committee has an all-party composition.

On 21 March 2002 the committee resolved to monitor the provision of services in Australia's external territories through a review of the annual reports of the Department of Transport and Regional Services and the Department of the Environment and Heritage for 2000-01. On 13 November 2002 the committee resolved to extend its review of the annual reports of these departments to include the annual reports for 2001-02. The committee also resolved that all submissions and exhibits received in relation to the committee's review of the annual reports of these departments for 2000-01 be considered as evidence to its review of the annual reports for 2001-02.

At the conclusion of the inquiry, the committee will table its findings, conclusions and recommendations in parliament and in a report that will be publicly available. The committee normally authorises submissions for publication and they will be placed on the committee's web site. Some copies are also available here today from the secretariat staff. To date the committee has received 16 submissions from interested parties. If you would like further details about the inquiry, please ask any of the secretariat staff at the hearing here today for assistance.

[9.44 a.m.]

ROBINSON, Mr Fredrick Lee, Treasurer, Christmas Island Tourism Association

CHAIRMAN—Welcome, Mr Robinson. Do you have any comments to make?

Mr Robinson—I would like to record the apologies of both the president and executive director of the association, both of whom are off island at the moment.

CHAIRMAN—The committee has not received a submission from you. Do you now wish to lodge a submission?

Mr Robinson—We will lodge a submission. I do not have enough copies for the committee at the moment but I will make copies available.

CHAIRMAN—Thank you. Is it the wish of the committee that the submission by Mr Robinson, be tabled? There being no objection, it is so ordered. The committee prefers that evidence be taken in public. However, you have requested that your evidence be given in camera. Is it still your wish to give confidential evidence to the committee, Mr Robinson?

Mr Robinson—No. Somebody must have ticked the wrong box there. We are quite happy to give public evidence.

CHAIRMAN—Before we ask you some questions, do you wish to make an opening statement?

Mr Robinson—I will make a brief opening statement to put it into context and to highlight three issues that Commonwealth policies impinge upon that are currently before the association. I preface my remarks by saying that the executive director, who is away promoting Christmas Island at the moment at the Perth holiday show, would be able to discuss these in much more depth than I can as treasurer. However, I will do my best and try to be honest, without misleading us all too much.

CHAIRMAN—I am sure you will not find that a problem, Mr Robinson.

Mr Robinson—The first thing I would like to point out—and you probably know—is that for the last decade at least every economic report on Christmas Island—the grants commission reports or what have you—all say that the long-term future of Christmas Island lies with tourism. However, having said that, there has been nothing over the last decade that has really promoted that or pushed it in that direction. It is not just the fault of the Commonwealth government; it is an issue with governments at all levels. Everybody has latched onto it as a good idea but nobody has really come up with a plan to develop tourism on the island. Certainly in the discussions we have had in the last week on land-use planning, the appropriateness of land being set aside for future tourism development has come up as an issue.

As a result, tourism on the island, with the exception of the casino—which was an anomaly of the nineties—has been mainly small entrepreneurs attempting to grow their own tourism business. I am sure that Senator Lightfoot and Mr Snowdon, representing rural constituencies, are aware of those types of issues. They would have them in their own constituencies. People come to a place for a lifestyle and decide it is a great place—‘Other people should share in it. We’ll start an accommodation business,’ or, ‘We’ll start a dive business.’ They start to grow their businesses, and there are examples in Australia where some have grown very successfully and become quite large. But because of the size of these businesses and other limitations—such as the number of seats on flights, the limited number of rooms available and the fragile environment—the tourism that is here is primarily boutique tourism, aimed at diving, nature tourism, birdwatching or people just wanting to escape to a desert island.

At the moment we are looking at three issues that are inhibiting us in advancing tourism on the island to the next level. I will address all three of them briefly. The first one is assured regular flights from both the north and the south; the second is funds to support marketing programs; the third is market penetration into mainland Australia and overseas. Recently we supported a submission to government from Austasia—which has a Saturday morning charter flight from Jakarta—because it is very important, particularly to our dive tourism which is primarily European based, to have that link and to have a link to the north that is assured for a reasonably long-term future.

The island and its operators have fought for several years to get this island included in European tour brochures. European wholesalers have developed programs to bring people to Christmas Island. It has only been this year that they have achieved success. The prime concern of the wholesalers is not the quality of the product when they are here but, ‘Can we get people there?’ The shaky nature of the flights from the north impinges quite heavily and if those flights fall over it will not only affect tourism now but into the future. If flights come back on, the wholesalers are basically saying, ‘The last two times you’ve tried flights, they’ve fallen over. We can’t really afford to take people’s money if the holidays aren’t going to eventuate.’

We certainly commend that approach from Austasia, with assistance from government through contracting subsidies—I believe in their submission they talked about assistance with landing fees and higher rates for the transport of mail—and the association itself has committed some of its funds and its members’ funds to assist with the marketing in Jakarta with Austasia to try to tap that market. There is a large expat market in Indonesia and certainly at Christmas we get a reasonable amount of tourism from Jakarta of expats who want to return to a good, safe Australian environment and just veg out on Christmas Island.

Another difficult issue is securing visas from Jakarta for Indonesians, as you would know. The policy of quite large bonds and bank references and what have you discourages traffic from Indonesia to Christmas Island. This would even apply in the expat community where many expats are married to Indonesian spouses. They are two issues that impinge on the flights. We are quite keen to see government develop policies to enable those flights to continue.

We also have a problem with marketing in the sense that there is no domestic tourism here. All marketing has to be either overseas to Europe, South-East Asia or the Australian mainland, all of which are expensive destinations for us to reach with our marketing. Having said that, the association does have a marketing budget of about \$48,000, which is quite considerable for a small community like this. What is lacking is the backup from the state tourism department. A

small community, such as Kalgoorlie or Alice Springs, would have territory or state tourism departments promoting your region for you to a large degree. We do not have that here and it falls on the association.

There is supposed to be a service delivery agreement signed between Christmas Island and the Western Australian Tourism Commission. This has been dragging on for quite some considerable time and nothing has been signed, so we do not have the backup of the WA Tourism Commission. The Australian Tourist Commission does not play a large role in promoting the territories. We would certainly like to see the service delivery agreement signed between the state and the Commonwealth but we would also like to raise additional funding so that we can carry out our own marketing.

We proposed to government in a recent submission that a \$10 surcharge be imposed on each air ticket to Christmas Island for Christmas Island marketing. Given the price of air tickets to Christmas Island, which are considerable to begin with—and cost itself is an issue—\$10 on \$1,300 or \$1,700 is fairly minuscule. I am also aware that the Ansett levy must be due to finish and there may be the opportunity at that point to look at imposing a levy to enable this to take place. Based on last year's figures—mind you, last year was a boom year—it would raise about \$55,000 which would enable the employment of a marketing officer. At present our executive director has to not only service visitors to the island but also carry out the marketing. It is really a two-person job and you are asking one person to do both.

The submission I will give you contains the core of our marketing plans, so you can see what we are trying to do with our \$48,000. The plan was recently developed in the last financial year. We have adopted it as an association and it is guiding us as we are trying to get a share of the Australian and international markets for the island. I do not feel that we can grow tourism without marketing. As you know, on the island there is the perennial thing said, 'You don't have enough flights and you don't have enough accommodation.' If you build more accommodation, you are not going to get enough people because you do not have enough flights. If you have more flights, people are not going to come because there is no accommodation. You are in a chicken and egg situation. The only way to address that—unless some large investor comes in, as did with the casino—is to grow tourism gradually.

I think our marketing program will enable us to realistically sell the island—if it is dive tourism or nature tourism—and enable our existing businesses to expand as they are financially able. If we are going to make tourism a viable future for this island, we do need to address these three issues of transport and access to the island, backup from either state or Commonwealth government and support for our marketing plan. I thank you, Mr Chairman. That is all I would like to say in my statement.

Senator CROSSIN—Mr Robinson, what is the maximum capacity on the island in terms of accommodation?

Mr Robinson—The capacity varies because we often have contractors, as we did this last year, who come to the island and use up all the accommodation so there is very little available for tourism. There are probably about 700 beds.

Senator CROSSIN—What are your annual tourism numbers currently?

Mr Robison—You would ask me that, as treasurer, and I cannot really tell you.

CHAIRMAN—You could take that on notice, Mr Robison, and supply it to the committee.

Mr Robison—I can supply that.

Senator CROSSIN—What sorts of links do you have at the moment with the Western Australian Tourism Commission? You said the service delivery agreement has not been signed. Is it due to be renewed?

Mr Robison—It has never been signed.

Senator CROSSIN—There has never been one in existence.

Mr Robison—We do not have one.

Senator CROSSIN—I see.

Mr Robison—The links are very tenuous indeed. They have given us some informal help. While Therese is down here marketing at the Perth holiday show she is also going to spend a day with the tourism commission. About a year and a half ago the tourism commission sent an officer up here for a short visit, who produced a very good report for the association. But that has really been the only support we have had. Given that there is no service delivery agreement, there has been no other support from the commission.

CHAIRMAN—Could you make a copy of that report available to the committee?

Mr Robison—Yes.

CHAIRMAN—Thank you.

Senator CROSSIN—If you were looking at attracting the market from Melbourne or Sydney, what is the cost of a return flight from Melbourne to here, for example?

Mr Robison—It depends. If you can do an advance purchase it is \$1,300 from Perth round trip. The normal flight is \$1,700.

Senator CROSSIN—What if you are coming from Melbourne or Sydney?

Mr Robison—Then you have to add the cost of the Melbourne-Perth flight. It gets quite expensive at that stage, competing with London.

Senator CROSSIN—Yes. You are competing with that view on the east coast that it is probably cheaper to fly to Europe than it is to Christmas Island.

Mr Robison—Yes. You have that view from Perth as well. The people who come here tend to be people seeking exotic islands. I do not know if that market is big enough to make a living from, because it is quite expensive.

Senator CROSSIN—Would you see your market as really being mainly a northern market; European market on the way to Australia or South-East Asia?

Mr Robinson—No, I think we see the European market as one that can be developed because of the interest in dive tourism and birdwatching. The Australian market tends to come up more for relaxation. There is an Australian market and certainly we would not be going to the Perth holiday show if there was not. I am sure that the majority of our visitors still come from the mainland.

Senator CROSSIN—Is South-East Asia a market for you?

Mr Robinson—It is a potential market. We certainly get a lot of inquiries from Singapore and Jakarta primarily, but there are various difficulties. If you are in Singapore, you have to fly to Perth and then fly back, or you have to fly to Jakarta. Given that the Jakarta flight is only once a week, most Singaporeans seem to look at it the other way. With the Jakarta people it is mainly the expats because of the visa issues.

Senator CROSSIN—Has the Australian Tourist Commission ever really done some work with your association to assist you?

Mr Robinson—Not that I am aware of, but I have only been here a year and a half.

Senator CROSSIN—Has the federal government not had that as a priority?

Mr Robinson—Obviously not.

Senator CROSSIN—Has it given you any reasons why it is not prepared to look at the grants commission?

Mr Robinson—The federal government, through the department of territories, obviously does give us support and gives us very good support in our budget.

Senator CROSSIN—What sort of support do you get from the department of territories?

Mr Robinson—We received about \$61,000 last year in our budget from them. They certainly have been most useful and quite helpful to us and listen to us when we go to them with issues.

Senator CROSSIN—But does that mainly go towards employment of your officer?

Mr Robinson—No, that mainly goes to marketing. The shire also give us some funds. There is membership, and the gift shop raised about \$48,000 last year and will probably raise about \$60,000-odd this year. That is before we take out the cost of stock. It is quite a good fundraiser for us. The salaries come from that side of the ledger. Commonwealth funds are not allowed to be used for salaries. They are primarily supporting the marketing program.

Senator CROSSIN—But there has never really been a strategy from the Commonwealth government to pick up the grants commission recommendations and have some serious discussions with you about how they might progress that?

Mr Robinson—No.

Senator SCULLION—You mentioned visa issues. Can you highlight what those challenges are, particularly in regard to Singaporean tourists who are coming here? I understand that the market is pretty much a weekend market. They do not like to be here on working days. What sorts of impediments exist at the moment in terms of gaining visa access to Christmas Island?

Mr Robinson—I do not know what the rules are in Singapore. It is the Indonesian and Jakarta issue I was highlighting. My understanding is that people have to post a bond of about \$20,000 and they have to produce bank records and things like that before they can get their visas or apply for them. This is obviously an impediment for people coming to Christmas Island. It is also an impediment for short-term, last-minute decisions. Obviously, from the north there can be no weekend market because there is only one flight and that is on Saturdays. If you come from the north, you are obliged to stay at least a week, which works out okay for the European tourists because dive packages are either two weeks here or a week here and a week in Cocos.

Senator SCULLION—Thank you.

Mr SNOWDON—I am interested in the Asian market. I was talking to someone in the community yesterday who said that they were looking at the possibility of bringing in quite a few Japanese tourists in the near future. What is the potential for developing that market?

Mr Robinson—I guess the potential for Asian markets is somewhat dependent on what happens in the world in the next week.

Mr SNOWDON—I think all markets.

Mr Robinson—Yes. Certainly the population is there. The interest seems to be there. It is mainly a very middle-class interest. There are Asians who are interested in diving and there are Asians who are interested in going for walks in the jungle. They are the ones who are interested in coming to Christmas Island. Those who want to go away for a family beach weekend in a resort hotel should not be coming to Christmas Island or looking at Christmas Island at this point in time.

Senator HOGG—Do you know the cost for people going from Perth to Bali, just so we can get some feel?

Mr Robinson—It varies depending on what package you take. You certainly can get quite a good package from Perth to Bali for under \$900. You can often get them on specials at the moment. I had friends come up and join me in Bali a few weeks go and I think they spent about \$600.

Senator HOGG—Basically, there is about \$400 difference from the cheap price out of Perth to here, which is \$1,300, and the \$900 to go to Bali.

Mr Robinson—For example, I went to Bali because I was going to Sydney to visit my children. It worked out the same for me to fly here, spend a week in Bali with some friends

there and fly on to Sydney, than it would have been if I had flown to Australia. As a matter of fact, no, it would have been about the same if I had not—my normal airfare to Perth was about \$1,800 as opposed to \$1,700 which did not include the flight from Perth to Sydney.

CHAIRMAN—On behalf of the committee, Mr Robinson, I thank you for your attendance here today. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence to which you can make editorial corrections.

Mr Robinson—Thank you. I am aware that I need to supply annual visitor numbers and a copy of Bob Johnston's report, from the WATC.

CHAIRMAN—Yes, thank you, Mr Robinson.

[10.07 a.m.]

HUCKER, Mr Alan James, Treasurer, Christmas Island Chamber of Commerce

McCALLUM, Mr Paul, Chairman, Contractors Subcommittee, Christmas Island Chamber of Commerce

McGOVERN, Mr Peter Malcolm, Member, Christmas Island Chamber of Commerce

O'DONNELL, Captain (Don) Noel Patrick, President, Christmas Island Chamber of Commerce

CHAIRMAN—Gentlemen, welcome. These hearings are legal proceedings of the parliament and warrant the same respect as the proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee you may request that hearings be held in camera and the committee will consider your particular request. Before we ask you some questions, do you wish to make an opening statement, Captain O'Donnell?

Capt. O'Donnell—Mr Chairman, I have a submission here and I have some documents to provide to go into the record to the committee. I wish to speak to the submission. I can provide a copy of it afterwards. I am sorry I do not have enough copies to go around.

CHAIRMAN—Would you like to table your submission and then speak to it, or do you want to read from your submission?

Capt. O'Donnell—I would like to read my submission and submit the appendix to the committee.

CHAIRMAN—Is it the wish of the committee that the appendix to the proposed statement be accepted?

Mr SNOWDON—The statement and the appendix, is it?

CHAIRMAN—Are you going to read the statement in, or just read parts of it, Mr O'Donnell?

Capt. O'Donnell—I put a lot of time into it, Mr Chairman. I would like to, if I may, read most of it. It will take about 10 minutes.

CHAIRMAN—That will be fine. Is it the wish of the committee that the statement and appendix be accepted? There being no objection, it is so ordered. Please proceed to read your statement, Captain O'Donnell.

Capt. O'Donnell—Mr Chairman, the submission coming from the chamber deals with the current economic development and situation on the island. Thank you for allowing me to develop the submission. I will be dealing mainly with the current economic development situation, as contributed by the small private sector on the island, but not from Christmas Island Phosphates which is the underlying constant in the economy. It needs to be stated that the island, even more so since the *Tampa* incident, is now very much directly involved in a whole of government political process by Canberra—specifically the fate and wellbeing of this small community—and it is decided by the departments of Prime Minister, defence, finance and the external territories and DIMIA and, to a lesser extent, by the departments of customs, quarantine, health and education.

When policy decisions are made by the federal government, and particularly by the federal cabinet, which affect the mainland population of nearly 20 million, there are a range of checks and balances and alternatives to filter the social and economic impact on the community. There are state governments, industry and lobby groups et cetera. But here on Christmas Island with its permanent population of only 1,500 to 1,700 people—it is hard to get an exact figure—approximately one-third of which are children of varying ages, decisions by cabinet relating to this island have a very direct effect and a very immediate impact on our small, fragile economy.

There are no checks and balances that the chamber of commerce is aware of to mitigate any adverse effects of such decisions, other than by direct communication by telephone, fax or email to the minister of external territories or by occasional face-to-face meetings. The minister's visits are appreciated and they are valuable, but they are mainly after the event. When the chamber of commerce is given a minimal hearing of 15 minutes in a crowded multiorganisational meeting to present the collective views of our current 56 financial members and we wish to talk on a range of topics, one can ask, 'Is it enough time to have an effective dialogue with the minister?' The answer is, 'Obviously not.'

Up until 1990 the island economy was wholly driven by the mine and its exports; there was no private enterprise sector and the mine and mine union ran the island. The chamber of commerce on the island was started in 1991 and it has had a slow but steady growth over the intervening years. It is now well placed with its membership and a positive bank balance to reflect the views of the various private enterprises that now exist and are struggling to survive. By way of a passing comment, Mr Chairman, we are affiliated with the Chamber of Commerce and Industry Western Australia. It is the chamber's philosophy that we concentrate on macro issues to improve the whole economy and bring benefit to the whole community.

On Wednesday, 5 March 2003 the chamber convened a special meeting of all business interests on the island to discuss the government's decision to cancel the Walter Construction contract with DIMIA, which involved the construction of the multimillion dollar proposed immigration reception and processing centre at North West Point. The formal announcement to create the IRPC was made on 12 March 2002, almost exactly 12 months ago, and it was made by the minister of external territories who made a special trip to the island.

I would formally like it noted for the record that the chamber of commerce on this island have made our position clear to the government, over some two preceding years, that we strongly supported and endorsed the creation of decent accommodation and facilities for the SUNCs—suspected unauthorised non-citizens—who were, at that time, arriving in ever increasing numbers in SIEVs—suspected illegal entry vessels. Our response to the announcement on

12 March last year was sober, measured and supportive, and we produced a document, which has been presented to this committee, which illustrated the collective views of the chamber members and the wider community's view.

At the meeting on 12 March last year, the community and particularly business interests were advised by the minister that it would bring great economic benefit to the island and that private enterprise and community members should seize the many opportunities that would flow from the project and to gear up the private investment business sector accordingly. Mr Chairman, we did gear up in our varied ways and in various financial amounts, and the island economy looked solid until mid-December last year. The shock announcement came on 19 February this year, after weeks of rumours, and the cancellation of the Walter's contract and deferment of the project for at least nine months has bewildered, dismayed and angered the business community.

As I speak, we are collecting statistics to support the fact that the private sector, small though it is, is vital to the wellbeing of this island and its future but it has absolutely been derailed by this decision. It has had an immediate negative effect on business confidence in particular and the community in general. Minister Tuckey stated that the decision was made because the IRPC project had developed a momentum all of its own between DIMIA and Walter Construction and it was heading for a 100 per cent blow-out in cost, which was of course an unacceptable use of taxpayers' funds.

The chamber can accept this, if true—and I say 'if true'—and we also recognise that the cabinet decision cannot and will not be reversed. But we were also proudly informed that the decision to cancel was an easy one to make 'as it only took three minutes'. The chamber's response to this statement is that there could not have been a sensitivity analysis made as to its adverse effect on the island community which was, and is, geared up to the IRPC project.

My second appendix which has been presented to the committee is a summary of construction and infrastructure projects as at 21 February, some two days after the press release made by Senator Minchin. That is appendix 2. Appendix 3 is a formal presentation of the chamber of commerce correspondence—one dated 21 February and one on the 24th—to Hon. Philip Ruddock, DIMIA; Hon. Wilson Tuckey, Regional Services, Territories and Local Government; and Senator the Hon. Nick Minchin, Finance and Administration. An explanation or interpretation of the summary of construction projects is quite simple. On or about the end of April 2003—that is in about six weeks time—the island economy, already in decline from the 19 February announcement, will enter into a recession not seen or experienced since the sudden closure of the casino resort in 1998.

The correspondence to the three ministers is self-evident, in that we asked various questions and made some proactive suggestions to keep the island economy going. As yet we have had no responses. By way of further comment, the current assessment by many thoughtful members of the chamber and residents of some standing is that the deferment or cancellation of the Walter's contract is the first step to a full cancellation of the entire IRPC project. Consider: the developed construction village with a capacity of 350 workers to be mothballed. Currently there are about 15 people in there associated with Walter Construction, but that is to be mothballed. It is a magnificent facility. The development of the permanent staff quarters for approximately 170 persons—currently mothballed. The current rebuilt, refurbished detention centre—soon to be mothballed. The construction of a pumping station, pipelines and water tank storage for the IRPC site is now idle. Can one wonder at the loss of confidence?

The adverse flow-on effects are many and will infect the entire community and all investments by private enterprise: import cargo volumes by sea reduced and loss of profitability to the shipper and stevedoring operations; idle capacity in container transport, loss of earnings, profit and cash flow after making heavy investments; idle capacity in National Jet Systems, leading to an inevitable increase in government subsidy and a rescheduling and reduction of frequency of service and the Jakarta air service from Christmas Island placed in financial jeopardy.

There will be lower turnover of high stock inventories already made by retail outlets, resulting in unprofitable trading; low and decreasing levels of occupancy in recently provided non-government—I repeat, non-government—accommodation, with serious loss on investment outlay; building and construction lay-off of men and machines, brought to the island to cater for the project demand, resulting in rapid growth of unemployment; downturn in service sectors of communications, entertainment, food outlets, hire cars, petrol and diesel volume sales, tourism and real estate values—a complete disaster for small business. Then you have the expected decrease in revenue to power and water utilities caused by a decline in demand and population. In short, a cash flow crisis for island businesses is occurring, with activity and turnover down between 40 and 90 per cent, dependent on the sector, and despite a record private sector investment of \$22.75 million across a wide range of enterprises, as detailed in my appendix 4.

In conclusion, members of the committee, the chamber of commerce are actively promoting an acceleration of infrastructure projects, as detailed in our correspondence to the three ministers covering territories, DIMIA and finance, to prevent a severe recession commencing in April, and already gathering momentum. In addition, we would like to draw your attention to the Parliamentary Standing Committee on Public Works report published in August last year, concerning the upgrade of the Christmas Island Airport at a cost stated to be \$51.3 million. It very clearly states on page 18 at paragraph 3.25:

The Committee is of the view that, irrespective of APSC proceeding—

that is the Asia-Pacific Space Centre—

an upgraded airport for Christmas Island would help to decrease the isolation of the Christmas Island community by improving its air services.

It went on to state in recommendation 5 of that report:

... the proposed common use infrastructure project on Christmas Island proceed pending approval of the draft Environmental Impact Statement and the fulfilment of the recommendations made in this report.

Paragraph 2.8 on page 7 under 'Need and public value' states:

In a reply to a question from the Committee about the need for the upgraded airport if the APSC does not proceed, the Administrator of Christmas Island—

Mr William Taylor—

replied that irrespective of the APSC, there is a requirement for the upgrade on safety grounds.

In short, the island desperately needs this project to start as quickly as possible—as well as others. The plans are made, the finance is allocated, but this vital public works project is held up by DOTARS and Finance, conditional on the APSC proceeding.

To finish off, we are not an island society of mendicants, dependent or depending on government handouts. Rather, we are genuinely trying to build a vibrant investment climate in partnership with government but it is not working and there really is no marriage of private investment interests or sensitivity between Canberra and the island, when a fundamental decision can be made by the government in three minutes, which slams the private sector and the whole community into immediate recession.

Until conditions improve, any government policy plans to privatise health—and I am talking about the island here—power, the port and the airport should be deferred in line with the costly accommodation infrastructure also deferred. Mr Chairman, thank you for your interest and thank you for your patience.

CHAIRMAN—Thank you, Captain O'Donnell. Mr McGovern, Mr Hucker, Mr McCallum, are there any further statements you wish to make?

Mr McCallum—Yes, from a contractor's point of view. In one of the addendums that Don has presented has a brief summary of the current contracts and everything leading up to the current IRPC project going ahead—in fact, the current whole infrastructure on the island—and says that with the decision by the government to cancel Walter's ongoing actual construction of the IRPC project, the initial earthworks will finish in April, and every project on the island—Chor Nui Nui, the new port facility, the wharf upgrade, the construction camp, the refurbishment of the existing IRPC camp—will virtually finish at the end of April. The only project that will be coming up in the near future may be the sports complex, which I believe Mr Tuckey has signed off on, but they are still doing conceptals on that. The only other thing is a supply contract for the new crane on the wharf.

I do not think the real impact has hit the community yet. People went out and bought trucks, small bobcats or side-boom loaders to move containers, people geared up, people refurbished the laundry and people opened little retail places. The whole thing will come to a screaming halt in April, and this has not yet got out to the community yet.

Kay Meng bought quite a few hundred thousand dollars worth of freezers and storage space at the top. That is because all the DIMIA units were built. They were thinking because all these people were going to be living there, they would need somewhere to buy all the small items of retail. They have totally refurbished the laundry. The guy down there thinks that the people who bought it and refurbished it sold it in Australia. They think they are getting 350 construction workers' sheets three times a week. That is gone. It is disastrous. A lot of people have relocated their families here.

I do the on-island inductions when new contractors and all that come. I tell them what they can do and what they cannot do. If there is no continuity, if they do not go ahead on even a smaller scale, they will have to demobilise and retender. I know an option has been put in by the main contractor to build 400 then the next 400 and then increase it as the situation warrants—this is down from the initial 1,200 option. Because I do construction management, I know that

nothing will happen before Christmas if they demobilise and retender. By then it will be the next wet season. It will be disastrous and it will cost millions to demobilise and then remobilise.

Most cities in the world might have one big function centre, a big hall or some building which either private enterprise or government has built and it is a white elephant. If you have a look around Christmas Island, you look at the casino, the resort, the DIMIA units, the construction camp, you will see that we have a herd of white elephants up here. It would be funny if it were not so serious, but it is. By the end of April it will be a disastrous situation for this place.

CHAIRMAN—Thank you, Mr McCallum.

Mr McGovern—An example is my company. We are the main earthworks contractor for Walter Construction. We purchased \$1.7 million worth of earthmoving equipment for that job, including finance charges. They are the payout figures at the end.

CHAIRMAN—Who is ‘we’, Mr McGovern?

Mr McGovern—My company, Christmas Island Enterprises. What we are facing now is that we do not know when we are going to stop. It could be tomorrow or next week. We are not sure because Walter had no communication from the government as to their status. They do not know if or when they are going to be stopped. I bought that equipment for the whole project, not just for a couple of months of work. I have hired three Caterpillar excavators worth \$270,000 each from Singapore. I gave a mobilisation cost of \$5,000 each on them with no demobilisation, but the actual cost each way of shipping is \$17,000 per machine. I kept the demobilisation cost down because we were looking at the whole project. Now that it has not gone ahead we are in a bit of bother. I do not know what I am going to do. I have probably close to \$3 million worth of equipment that is going to end up sitting idle.

There has been a bit of a misconception there about Walter in statements made by Minister Tuckey—that Walter may have been pushing the price of the project up so that it ended up near double—but Walter Construction have told me that they have put in a number of combinations of designs and costings, so many that it was like using a Rubik’s cube. What has happened is that DIMIA wanted to have a hospital, a school and a high-security prison within the complex which did push the cost right up to near double. But they have also given them prices to do the project based on the actual money available, so it is not that they have given one price. There has been a variance of prices there.

If Walter Construction do not keep going out there and continuing with the earthworks and the project, the machinery will disappear off the island, the site will get overgrown and turn back into a jungle in the next six months. If it is delayed it will be most likely 12 months, because if you put it out to re-tender there are no drawings. Apparently the drawings are the intellectual property right of Walter. There are no drawings there for anyone to tender on; there is nothing.

It is going to take at least 12 months. We are going to come to a dead stop for 12 months. Thank you, Mr Chairman.

CHAIRMAN—Thank you, Mr McGovern.

Mr Hucker—There is a complementary letter that I would like to table which we have sent to Minister Tuckey. It is reiterating what Mr McGovern said about the continuation of works on the site. We had also sent him a recommendation to bring forward other projects on the island, such as a sports complex which I believe the government of the day here has taken some action on. There are a couple of other projects we have asked to be brought forward, but as yet we have not had a response from the government regarding this letter.

I would like to add that people are starting to leave the island already. We have heard in the last couple of days the local surveyor is leaving the island. A local architect is also leaving the island, and they are taking their families with them. Those sort of services will be lost to the island community at large and it is a serious situation.

CHAIRMAN—Thank you, Mr Hucker. Did you wish to table those letters? Would you identify the letters for the committee.

Mr Hucker—I am not sure if this letter is in our original submission. It is dated 24 February.

CHAIRMAN—Thank you very much.

Mr SNOWDON—I am interested in the response Minister Tuckey gave when he came on to the island. When you raised these issue with him, how did he respond? Did he respond by saying, ‘It’s our mistake’? Did he respond by saying, ‘It’s your fault’? How did he respond?

Mr McGovern—He responded by saying that he never asked anybody to overinvest and get themselves into this position, basically implying that it was our own fault.

Mr SNOWDON—Was there any discussion with you about the prospect of renegotiating with Walter on the current brief they have—to come down to an 800- or 400-bed facility?

Mr McGovern—No. He insisted that Walter wanted to design some space-age type of thing with two storeys and that we would be better off if we built a tilt panel concrete structure.

Mr SNOWDON—Has he expressed a view about how this should be designed?

Mr McGovern—Yes. He expressed the view that they should be tilt-up panels and the two-storey design that Walter were proposing was not what they wanted, or not what he wanted.

Mr SNOWDON—I do not know that he is an expert on building. Did anyone discuss with him the prospect of the additional costs involved in airconditioning tilt-up panel residences? I bet they didn’t—I mean, that he would have responded.

Mr McGovern—No.

Mr SNOWDON—I am interested because it seems to me there is a whole question here about the penalties that will be involved in the clauses which Walter will have with the government. No doubt they will be well looked after. My concern is that there are many contractors like yourself and, indeed, others in other industries. I know of a hire-car family on the island, for example, who purchased nine vehicles on the basis of Walter’s staffing

requirements for the next 12 months. They are no longer required. It seems to me the government needs to be contemplating what obligations it has to the community about how it can assist those businesses who are affected by this exercise to maintain themselves through what will be a very difficult period.

As you know, Mr Chairman, I was here a fortnight ago and had an opportunity to speak to Mr McGovern and other small businessmen in the community and I have to say that in the period I have been coming to and from this island, the small business community has never really come up to me and asked me for anything. We have talked about things. They have been critical about government, et cetera, as they have a right to be, but on this occasion it is very clear that people have invested on the promises made by government. I was here at a meeting at the CI Club when the whole issue of the migration zone was announced, the proposal to build a detention centre on the community. Everyone was very happy about it—not so much the migration zone but ‘Let’s have a detention centre built here’. Promises were made about the work that would be brought on to the community.

I think there is a legitimate case to be made, for us to take back to government, about what explanation they can provide us—the parliament—and what they propose to do to assist these small businesses and the community generally through this difficult time. I know that is a statement and not a question, but I want to put it on the public record because I intend to pursue it with a great deal of vigour and I hope this committee does, too.

CHAIRMAN—Thank you, Mr Snowdon.

Senator CROSSIN—Mr O’Donnell, the issue that I am also concerned about is there seems to be a boom and bust cycle on this island. We get a resort happening, it closes down; great plans to build a detention centre, which is now on hold. There never seems to be, though, any strategic economic plan that is produced for this island. That should, I think, be driven by the federal government in consultation with the community and particularly your organisation. Is that a view reflected by your organisation?

Capt. O’Donnell—That is exactly what we are saying. By private inquiry and compilation, we arrived at that figure of \$22.75 million which has been invested by private enterprise and individuals on the island over the last 18 to 20 months. That is a lot of money, and without that private sector investment the government infrastructure works would not function as well as they should. We are playing our part and it is the policy of the Chamber of Commerce to create this investment climate that one day we could match dollar for dollar with the Commonwealth.

Senator CROSSIN—Let’s just take the scenario that the detention centre was going ahead tomorrow, the planned recession you talked about did not happen, for now, and the extension to the airport happens and forecast ahead two years. The detention centre is completed and the extension to the airport is completed. What’s next? Once these major projects come online and are finished, I do not see a 10-year economic development plan beyond major projects for this island.

Capt. O’Donnell—Last week the shire had consultants on the island. They have been looking at the population projections—get rid of this boom and bust situation—and that is shaping up as a very good report. I might add there is nothing new in there, but it is a very

detailed report, and they were talking about a population of 5,000—a scenario of 10,000 people on the island.

Senator CROSSIN—Based on building the tourism sector?

Capt. O'Donnell—On a whole range of initiatives, but we definitely want to get out of this boom and bust. When the minister came up in March last year, it was rush, rush, rush. They wanted to build a centre by the end of September, and here we are 12 months down the track. We would prefer the centre be built over an extended period using local contractors. We want people on the island. We need people, whether they be tourists or SUNCs.

Senator CROSSIN—I hear that the people who were given the catering contract for the construction camp—and probably even the current temporary detention centre—are transporting in their own food rather than using a local supplier. Is that correct?

Capt. O'Donnell—That is correct. They bring in their own supplies of beer, because they have a wet canteen. When the announcement was made, they had three refrigerated containers up there. One of them had a huge amount of meat products in it, and there was concern amongst the supermarket owners that that was going to be dumped on the community, because they were already holding very high stock inventories due to the monsoon period and the expectation that there would be a lot more people on the island. We talked to Eurest, the camp organisers, and reached an amicable solution that it will not be dumped on the local community.

Senator CROSSIN—But there is no requirement, even in current contracts with the Commonwealth, that local suppliers must be used as a first preference. There is nothing that guarantees that businesses on the island get a first cut of any activity. Is that right?

Capt. O'Donnell—We were told by the minister that it would provide great opportunities for local businesses to get involved. Then, of course, when it comes to supplying the construction camp, that all comes from non-island sources.

Senator CROSSIN—It has not translated into the promises you were given?

Capt. O'Donnell—No.

Senator SCULLION—Perhaps you can take this on notice. Like my colleague Mr Snowdon, I am very keen to understand better the environment under which you made those decisions. I have been in small business all my working life and I know none of us make decisions on, 'Somebody down the pub mentioned something might be happening,' or a newspaper article or a statement. We normally do it as a matter of confidence that there has been a suite of statements made or make decisions in terms of investments, as Mr McGovern has done.

It would be useful if you could, on notice, try to put your minds back to when this started and gather all those statements, your recollections of discussions, meetings with ministers and press statements that were released. I could probably put my mind to some of those things as well, but I think your argument is, 'We made a decision to move forward in a business sense on the basis of information given to us by the Commonwealth of Australia and that gave us the confidence to make those investments.'

I think it is a very strong argument and, in that case, there will obviously be positions that we can put forward to ensure that we ameliorate those challenges, but it is going to be on the basis of establishing what that environment was. It would certainly be very useful for us, and I do not expect an answer now.

Perhaps you could take that on notice and try to identify those particular times, whether they were articles in your local newspaper, press statements, articles in the media, statements from the minister or from DOTARS in regard to that, because I think that is the basis of the argument. We are going to need the position stated very clearly as to whether that was a reasonable assumption to make. From someone who lives in Darwin, I would have thought it was very reasonable that we were going ahead with building an IRPC.

In relation to the blow-out in costs for the building of the IRPC, I am surprised that that is the only issue that has been brought forward. I want to qualify that that is the reason that you have been given for the IRPC not going ahead, because there is a potential blow-out in costs of 100 per cent.

Capt. O'Donnell—There was a DOTARS news release by Senator Minchin which said that the government's policy since the *Tampa* has kept all these people at bay and that the situation which gave rise to the desire to build a centre had somewhat changed, and one can understand that. It was not just a matter of cost overrun. It was linked with the changes that have occurred with the barrier protection—

Senator SCULLION—I do not speak for the government in this matter, but I think that the Pacific solutions revolve around having a facility offshore. I am sure that the issues associated with having to negotiate with other governments are far more complex than having something in Australia, and I still think that would be a reasonable plank of that policy.

Mr SNOWDON—I am interested in your comment about the sustainable element of the island economy, the economic concept of CI Phosphates. What is the view of the chamber in relation to the proposal for Christmas Island Phosphates to expand its lease and therefore extend the mine life?

Capt. O'Donnell—The unwavering attitude of the Chamber of Commerce is that we support the mine. It is as simple as that. We may not agree with some of the things they do, but we support the mine.

Mr SNOWDON—In particular, I want to know about the current proposal to access additional crown land for the purpose of mining.

Mr Hucker—The mine has a consultant that is on the island at the moment, Mr Dan Gillespie. We have arranged for him to come to a Chamber of Commerce meeting tonight. At that meeting I believe he is going to give us a complete outlay of the proposed mining leases and an overall picture of what they are planning and what areas will be affected by the new leases.

Mr SNOWDON—After you have met, could you give us information as to what the chamber's view is of these proposals?

Capt. O'Donnell—Certainly.

CHAIR—Thank you, gentlemen. On behalf of the committee, I thank you for your attendance here today. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence here today, to which you may make editorial corrections. The committee will now have a short adjournment

Proceedings suspended from 10.52 a.m. to 11.01 a.m.

TURNER, Mr Edward, Managing Director, Austasia Airlines Pty Ltd and Christmas Island Aviation Services Pty Ltd

CHAIRMAN—Welcome, Mr Turner. These hearings are legal proceedings of the parliament and warrant the same respect as proceedings of parliament itself. Giving false evidence or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee you may request that the hearing be held in camera and the committee will consider your particular request. Before we ask some questions, do you wish to make an opening statement?

Mr Turner—Yes, I would like to make a brief opening statement.

CHAIRMAN—Please proceed, Mr Turner.

Mr Turner—I am a small businessman on Christmas Island. I have a number of interests including travel, ground handling and the operation of a weekly charter flight between Jakarta and Christmas Island. Currently the Commonwealth has an expression of interest for air services to Christmas Island and Cocos Island. That expression of interest has been widely circulated overseas. I wanted to bring to the attention of the committee that there is 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. The safety programs of most of the international carriers require what is called a category 5 standard of fire and safety service at the airports, both Cocos and Christmas. Consequently the expression of interest that has gone out will end up being restricted to a few what I suppose you might call regional Australian operators.

In terms of the expression of interest, I would also like to bring to your attention that there is no real aviation policy established to govern the air services to Christmas Island and Cocos Island. I think that aviation policy should be established and those policies then applied to the current expression of interest. Some of those aviation policies should include addressing such matters as these: 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 island?

There may also be, under that policy, some consideration to regulate air services. The Western Australian government have just completed a report which has concluded there are really only three major towns in Western Australia that can sustain multiple carriers. The majority of towns in Western Australia with populations of less than 10,000 should be regulated where only one carrier is given access to that port; that one carrier is also regulated in terms of its pricing and in terms of its service to that community.

I bring that situation to the fore because in this recent Christmas period our company—which has been attempting to operate a regular weekly service for the past two years—was severely and financially affected when two other operators decided they would operate to the north. The major profitability of that route was taken away and it placed our own operation—attempting to

operate every week—in jeopardy. Regulation may require some consideration to both Christmas and Cocos Islands. We do not have a specific strategy developed for tourism and tourism has the greatest—

CHAIRMAN—Sorry to interrupt, Mr Turner. When you say ‘we’, do you mean Christmas Island?

Mr Turner—Christmas and Cocos Island. I think that is very important also in an aviation policy—that the policy embraces both islands. We are complementary. That means there has to be some integration of the air services between both islands. There certainly should be a strategy established with respect to aviation and with respect to tourism for both islands. That is relatively nonexistent. I think that policy certainly has to be adopted by the government as a long-term strategy to service both islands.

Regarding the category 5 fire service, our company has given notice to the local administration that we would be prepared to provide at no cost—as long as it was trained—the labour required to man a suitable fire tender. Estimates have been calculated by the government of quite horrendous costs to provide this type of service. I am talking about amounts of between \$1 million and \$3 million. It does not need that level of expenditure. There are companies that operate the airport when aircraft come in.

We have that labour available at really no cost to the government—as long as it was trained—as long as we had a suitable tender to comply with that category. That can be done inexpensively. It does then open up Christmas Island to the availability of international carriers flying in here. Some have refused already. In the last expression of interest a number of international airlines got right up to the wire of submitting an expression of interest but, when they found out the cat 5 service was not available, they withdrew. The upgrade of the airport has already been mentioned. Certainly for tourism and for aviation safety we would be encourage that upgrade to continue. Thank you.

CHAIRMAN—Thank you, Mr Turner. Before we go to questions, could I ask you whether you have a copy available of the Western Australian government report on intrastate airlines?

Mr Turner—I do not. I have summaries that have been provided to me from the Western Australian government. I can get hold of a copy of that.

CHAIRMAN—Do you have a copy here on the island?

Mr Turner—No, I do not.

CHAIRMAN—I think we could probably get a copy of that, rather than put you to all that trouble, Mr Turner. Thank you for your statement this morning.

Senator SCULLION—Mr Turner, in terms of the infrastructure regarding this fire services requirement, I understand there is a certain standard. The government are saying that it is going to be much larger than you believe, based on the provision of trained people and the addition of those people to provide that service. Outside of the provision of personnel, what do you ballpark the infrastructure at?

Mr Turner—I certainly do not think Christmas Island or Cocos Island need brand spanking new multimillion dollar fire tenders. There are tenders that do come up, even within Australia, which are probably less than a few hundred thousand dollars. They are second-hand. They are compliant and they would be suitable for our type of airport. We have even made the suggestion that, when some of the fire tenders on the mainland are replaced, instead of the second-hand tenders being sold for scrap value, they should be sent to these sorts of locations and be reutilised.

Senator SCULLION—The other issue is in terms of subsidies. I have to say I am a bit of a cynic. The subsidies I saw running into the Northern Territory during the collapse of Ansett were basically a process where the planes simply used the subsidy and when it was over they stopped. As you have some experience in this area, how long do you think the subsidies would be in place? I would see a subsidy as short term to make sure that people are flying. Therefore, you have infrastructure in place and you do not have that catch-22 situation. How long do you think subsidies to the north would be needed before the seats would be filled through market demand?

Mr Turner—There are sectors, such as Perth to Christmas, where it is quite apparent that they do not require a current subsidy. It is quite apparent on calculations that Cocos Island does require a subsidy. Up until very recently, up until the last month, our company has operated. Admittedly we have not operated profitably, but we have operated to the north for now reaching two years, without any subsidy requirements. As a company entity, though, we have not been profitable.

How long would it take? Our population base is declining very rapidly at the moment and it may be that subsidies would be required for up to 12 months. If we do not have any more economic activity, which at the moment is being driven by the government, those sorts of subsidies could continue for some time. I think the important element—and Senator Crossin mentioned this earlier—is that tourism has the greatest potential for Cocos Island and it has a significant potential here. That is a long-term strategy, a five- to 10-year exercise. But it can be done and it must be done, it must be done. We cannot be reliant on the government all the time.

Senator HOGG—In terms of the category 5 service, do you know if that has ever operated here before? Has there been a time in the history of flights coming in here where there has been a category 5 service?

Mr Turner—No, there never has been. Christmas Island was granted an exemption from that.

Senator HOGG—With the proposal to lengthen the runway, it does not matter how long you make the runway, you are not going to get commercial jets in if you do not have a category 5 service. Is that correct?

Mr Turner—That is correct. People like Qantas, Singapore Airlines, Malaysian Airlines and Garuda would never fly in here on a RPT basis without that facility.

Senator HOGG—But you would get the freight operators in if the space centre gets going?

Mr Turner—Freight operators definitely.

Senator HOGG—They would come in, but you would not get the tourism operators.

Mr Turner—Even some of the major freight operators would be very apprehensive to fly in here without that facility. They would be very apprehensive.

Mr SNOWDON—What about search and rescue? Is that an issue?

Mr Turner—Not with respect to aviation.

Mr SNOWDON—I am thinking of a scenario where a plane ditches 10 kilometres out. What vessels are there available for search and rescue?

Mr Turner—Very limited. We only have a number of small vessels available: Australian Federal Police, National Parks. The local marine department has a number of vessels that could get out to probably a 10- or 12-mile range, but we certainly do have very limited rescue services.

Mr SNOWDON—The reason I asked the question is that I understood historically that was an issue with airlines, the availability of those sorts of services on the island—as well as the fire service, the issue of search and rescue capability.

Mr Turner—It probably would be. It certainly has not come up in any discussions I have had with airlines. They have been more concerned with the fire service at the airport.

Mr SNOWDON—Do you carry Australia Post articles?

Mr Turner—Yes, we do.

Mr SNOWDON—What sort of subsidy do you get for carrying those?

Mr Turner—We do not get any subsidy at all.

Mr SNOWDON—Sorry, what do they pay you to carry? I should put it that way.

Mr Turner—Currently it is at a rate of \$2.80 per kilo. We have recently gone back to them to increase that rate similar to our general cargo rate. There are some discussions going on at the moment, with the assistance of administration, on behalf of our company, and the ILO in Perth with Australia Post.

Mr SNOWDON—You transport the freight from Jakarta to here.

Mr Turner—The mail and food and general cargo is sent up in containers from Perth, both with Qantas and Singapore Airlines to Jakarta. Those containers are broken down and then loaded onto the 737 at Jakarta and brought across here.

Mr SNOWDON—Are you aware what rate they pay other carriers to carry similar postal articles?

Mr Turner—I do not have this in any way documented; it has only been related to me. I understand Australia Post have a global rate for their mail and they ship mail all around the globe. It is in the vicinity of about \$1 to \$1.50 per kilo. That is based on a huge volume of tonnage every year.

Senator CROSSIN—Mr Turner, what benefits, to you particularly, do you see if the airport extension goes ahead and is completed? Does that allow you to bring in larger craft yourself, or other carriers?

Mr Turner—If the airport was extended, I think there would be a number of international carriers that would certainly then consider using Christmas Island. At the moment we are restricted up to about a 737. We can get exemptions for larger aircraft, but they are only exemptions because of limitations with the pavement weight and what it can take at the moment. It certainly would open up Christmas Island for a larger level of tourism.

Senator CROSSIN—There is no use extending the runway unless you also look at moving to a category 5 safety standard. Is that right?

Mr Turner—That category 5 safety standard is critical, even now, to obtain international carriers on a regular basis. Some of them are prepared to fly in here just for spot charters, but on an RPT basis their safety standards would not permit them to do that.

Mr SNOWDON—What does the Australian government say about that in relation to its own charters from Perth?

Mr Turner—The decision has been made with the current carrier, because an exemption has been granted by CASA to fly here without those safety standards in place.

Mr SNOWDON—But if, using the same aircraft, it went from being a charter to an RPT, it would not be allowed access.

Mr Turner—At the moment I think the liability is still on the government, because it is not providing that service. The liability is there but there has been an exemption granted to fly here without that cat 5 safety fire service in place.

Mr SNOWDON—Mr Chairman, through you, could I suggest that we ask Civil Aviation Safety Authority to come and talk to us, or give us an explanation as to why and how this happens?

CHAIRMAN—Thank you, Mr Snowdon. Mr Turner, thank you very much for your evidence and your attendance here today. If there are any matters on which we might need additional information the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you can make editorial corrections.

[11.21 a.m.]

FOO, Ms Gee, Project Officer, Austasia Business Council

TAN, Mr Won Kiak (Eddie), Chairman, Austasia Business Council

CHAIRMAN—Mr Tan and Ms Foo, welcome here today. These hearings are legal proceedings of parliament and warrant the same respect as proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee has not received a submission from you. Do you wish to lodge a submission now?

Mr Tan—Not at this moment.

CHAIRMAN—The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee, you may request that the hearing be held in camera and the committee will consider your particular request. Before we ask questions, do you wish to make an opening statement, Mr Tan?

Mr Tan—Yes, thank you.

CHAIRMAN—Please proceed.

Mr Tan—Obviously we are a very new association, just established on 17 December. We consist of 49 members which is based on 100 per cent of members from the local community, consisting of European, Asian, Chinese and Malaysian. That is the membership. ABC's background is to promote all matters in respect of business, trade, culture, commerce, industry and professional operations and goodwill amongst members and the Australian business community.

Out of this goal we have a few objectives. One or two major objectives I would like to bring up. One is 3.1 under our constitution, which is to promote understanding and cooperation between Australian businesses and other professional and business communities in Australia and in particular Christmas Island, Cocos Island and Indian Ocean. Point 3.3 is quite important and I am going to relate it further to these objectives. It is to promote relationships with Australian and local government departments on behalf of the business communities of Christmas Island and Cocos (Keeling) Island.

I would like to add that one of the things that should be considered is the liquor licensing and tobacco licensing, which currently are handled by DOTARS in Perth. We have nothing concrete, but our understanding is that it is possibly documented under the Commonwealth that they are paying somewhere near \$250,000 to the state agency for servicing Christmas Island and Cocos Island in regard to liquor and tobacco. We believe that the local government can handle such amounts. The agency should pass it on to local government which therefore can create more job opportunities and more tertiary educated islanders, which at the moment are phasing out on Christmas Island.

Mr Chair, just to give you a little bit of background about Christmas Island, this report is done by Koltasz Smith, which was engaged by the Commonwealth in conjunction with local planning, with the local government. I will read you the last few lines:

The islands therefore have a young population with a low proportion of seniors, although the proportion of seniors has increased markedly from three per cent to seven per cent between 1996 and 2001, and a lower number of people aged 15 to 29. It reflects the lack of on-island tertiary education facilities and the limited range of employment opportunities for this group. The introduction of on-island education for year 11 students in 2002 and year 12 in 2003 will establish this element of island population and result in more people in the 15 and 19 bracket. One of the reasons we are losing the bracket of 15 to 29 is purely employment on Christmas Island.

CHAIRMAN—Could I ask you, Mr Tan, whether you would like to table that document?

Mr Tan—Yes. I only have my own copy but I do not mind.

CHAIRMAN—Perhaps the secretariat could obtain a copy of that after you have finished giving your evidence.

Mr Tan—Yes.

CHAIRMAN—Would you like to identify that document?

Mr Tan—Yes. The document was from the planning strategy which is done by Koltasz Smith, which I attended last week.

CHAIRMAN—Thank you.

Mr SNOWDON—Perhaps we could ask for a copy of the document from the shire council.

CHAIRMAN—Yes, we will have that copied. Is it the wish of the committee that the piece of that page that Mr Tan has identified be tabled? There being no objection, it is so ordered. Please proceed, Mr Tan.

Mr Tan—In result, obviously the ABC point of view will be to strongly recommend that student visas should be uplifted from current circumstances and accreditation to Christmas Island District High School should be given in order for us to bring more exchange students and also fee paying students to Christmas Island, which currently Christmas Island desperately needs.

Also from Christmas Island, as far as the Austasian Business Council is concerned, most of the local businesses and major contractors are targeting bigger projects, such as the resort or IRPC. The resort was suffering close-down and IRPC is deferred. The majority of local businesses are suffering financially quite substantially, as you have probably already heard from previous results. ABC believe we would like to work on the smaller scale of agenda.

One of these activities on the agenda will be looking at more community issues and more cultural issues, such as small-scale tourism. One of the projects we are currently working on is to remove all the old disused trains which currently sit in the jungle, to reprocess them and then to refurbish them and then to put them into Drumsite, the original train station, for trekking for the few ecotourism tourists. So CI ABC are working very closely with local council. Rather than a bigger scale of business where people are looking for bigger projects, we are more into the smaller projects, to enhance our infrastructure more, in order to bring more tourists to Christmas Island. Gee, our project officer, will follow up why we need this small-scale infrastructure before we can bring more inbound tourists to Christmas Island.

Also one of our concerns is that, after CGU have pulled out of Christmas Island, one of our major car hire companies—one of our members—suffered quite financial losses at the moment, where he cannot obtain a car rental licence and also third party licence against any car rental issue, where unfortunately he was tied up with a few other personal matters. He cannot attend to that. His name is Dan Sing Kiat, from car rental. He probably will make his own personal submission to you. He is asking us as CI ABC to ask the committee to look at that matter because it has been long overdue and no resolution has come out of that from the insurance issue.

Another matter is that the local council, with Commonwealth assistance, have Christmas Island going to go ahead with an \$8 million sports centre, which we welcome. It is great for the local community, but we would like to see younger generations, like schoolkids, able to utilise that. The sports centre is at least another 24 months away. Meanwhile, may I suggest that some sort of recreation facility should be done for the local teenagers, where at the moment there is zero. Apart from the cinema on Saturday, all the younger generation have basically no way to enjoy the jungle walk or anything at all. There are no facilities whatsoever on the island for the younger generation or young schoolkids, which we are seriously taking into account and working with the local council in order to improve that.

Also the second thing is maybe to look at another redevelopment because at the moment, because of rock fall and lack of space in the Kampong, we are having trouble to find a lot of boat parking. Most of the boats and dinghies are parking illegally around the Kampong area, which possibly can look at the relocation of a fuel bowser out of that location. Obviously it will improve the safety and shoreline and you will then therefore release all the pressure which comes from the supermarket car park, visitor centre, bakery et cetera. The committee will hopefully pursue this with the Commonwealth in order for the local community to enjoy more of the shoreline in areas like Settlement Rock.

CHAIRMAN—Thank you, Mr Tan. Ms Gee, do you have a statement?

Ms Foo—I have been requested by the ABC to look into the tourism aspect of Christmas Island and I have realised that this industry has been overlooked for quite a long time. We have identified that no proper training has been established to get people on the island interested in this industry. Firstly, we have not received any good arrivals in terms of tourism numbers. At this present stage, only three or four in the local community have had any training relating to this. I am hoping that a committee can be set up to look into this, where we can put in certain funding and where local businesses can tap into and encourage the local population to take up this training as they gear up for the potential influx of tourist arrivals.

We know that Christmas Island has all the attractions, accommodation, air transportation, marketing and so on, but it lacks the sorts of activities that encourage tourism to come here. Tourists do not look only for exotic places. Because of the numbers of arrivals on this island, the cost of air fares is very high. It only attracts serious ecotourism tourists, comparing with those who are coming here just for a good time. What we lack is funding for training and, at the same time, for any business people a chance to tap into this fund for a start-up of this economy.

I was able to go out last week to visit some of the operators in Asia and there were two questions they put to me: firstly, the cost of the air fares and also that there are a lot of other exotic places opening up in Nepal and India where the cost of travel is so much cheaper, about one-third of what anyone will be paying to come here. That can be resolved because, even if we have the numbers planned over the next couple of years, we do not have any people on the island who are capable of servicing these people. What we lack is proper training and upgrading of some of the sites and facilities currently available. They need to be upgraded to attract more tourists to come here. I hope that we can seriously look into a certain sum to be set aside as a fund for local businesses to entice them to venture into this new business and also for training of staff, of local people, to at least give them employment opportunities.

At the moment I also operate a travel agency on this island. I have just recruited a local who has no training in this area at all. She is brand new staff. I am sending her to Sydney to be trained by Qantas. It will cost about \$4,000 to \$5,000 to send her. For a small business like ours, it will be putting a big hole in our pockets. There are no facilities on the island at all to train anybody. Airlines will not subsidise my staff for the air fare between Perth and Christmas Island. This is something we hope you can look into.

CHAIRMAN—Thank you, Ms Gee. Could you tell the committee whether the Austasia Business Council is affiliated with the Christmas Island Chamber of Commerce?

Mr Tan—No, we are not.

CHAIRMAN—Do you meet? Do you discuss things of common interest?

Mr Tan—Yes. We started from the recent minister's visit. Since then we do have common ground. As I said earlier, we were only established on 17 December. We are currently in the position of recruiting our secretary and getting our own office.

CHAIRMAN—So you do not meet regularly. Do you propose to meet regularly in the future?

Mr Tan—That is most likely, yes. We will.

Senator SCULLION—I was interested in some of your comments in regard to the accreditation of the high school to attract fee paying students there. What does Christmas Island High School have for this market? Where would that market be?

Mr Tan—I do not believe Christmas Island school has that market yet. I do believe that because of Christmas Island's position, culturally and the people here and also the crime free status and GST free status, it will attract Asian fee paying students. At the moment they are pouring billions of dollars into mainland Australia, England and the United States. Therefore it

is like a change. There is an extra market for air services, tourism, local economy for housing and the food industry. It is purely because of Christmas Island's unique position to Asia. I do believe, as do the ABC committee, that a study has been looking into it and there is some interest. Unfortunately we do not have the infrastructure to cater for it, but in order to say so, we might look at housing them rather than putting them into the normal commercial accommodation, like exchange students. We could ask a few families who would like to take on a student from Asia. I might be wrong, but when I look at the report the majority of the families here, 60 per cent to 70 per cent, are Asian. Therefore the majority of Asian households and the family does speak three or more languages and dialects, so we would be in a good position to capitalise on that advantage.

Senator SCULLION—Do you know if the school has sufficient extra positions to be able to fulfil that? Would it need some expansion in terms of the infrastructure at the school?

Mr Tan—I believe the school has taken into account doing year 11 and year 12. From a local Christmas Island point of view, we have no more than one handful of students attending year 11 and year 12. I believe if we can increase that number, obviously the education department of Western Australia would look at it seriously. This would co-subsidise the local students.

Mr SNOWDON—I am interested in the training aspect. I assume you mean training over all aspects of the tourism and hospitality industry.

Ms Foo—Yes.

Mr SNOWDON—Are you aware that the Commonwealth has previously put a lot of money into this place for that very purpose?

Ms Foo—No, I am not aware of that.

Mr SNOWDON—Probably a lot of people are not aware of this, but I will tell you anyway. The Commonwealth paid for the kitchen in the CI Club and for a flat to be built under the CI Club to train people in the hospitality industry.

Mr Tan—I believe that project was purpose built and invested in for the opening of the resort. What Gee was talking about was more into tourism, such as diving, fishing and also ecotourism.

Mr SNOWDON—What I am trying to get at is that the whole issue of training for the tourism industry has been on the agenda here for over a decade. There have been attempts to start that training, even when the casino was operating. People were obviously being trained on site at the casino, but since then—I think I am right in saying this and if I am wrong I am happy to be corrected—I do not think that CI Club has ever been used for the training of people.

Mr Tan—I disagree, because I believe it was used for training, but purely training of the hospitality area such as waiters and waitresses for the resort only at that time.

Mr SNOWDON—In any event, there is an asset which was funded by the Commonwealth sitting up there at the CI Club for training of people in the hospitality industry. I wanted to make

that point, because I remember funding it. Secondly, what discussions have been had with the Indian Ocean group training company about this issue of training for people in the tourism and hospitality industry and what resources they might be able to bring to bear to assist in the process?

Mr Tan—We have an approach. Obviously at this moment we did approach the minister and discuss this. Obviously the bottom line here is always the funding. It is not only the funding we are looking at. We are trying to recapture the market of 19- to 25-year-old students. May I say also for the record, Christmas Island does have the highest level of graduates from tertiary education, after they depart from Christmas Island. We do have a lot of talent which graduates with honours and masters degree and they search for jobs elsewhere and leave their families behind here. That is another reason why we need this project and for training to go ahead, or to find some sort of subsidy in order for us to reopen the market and therefore we can invite all these people, who have a further degree, to come back and work in this area.

Mr SNOWDON—Can I just clarify that: have there been no discussions by the Austasia Business Council with the Indian Ocean group training company about this issue?

Mr Tan—At this stage it is too early, Mr Snowdon, purely because Gee just came back from Asia last week. We are looking to the potential tour operators as to what clientele they have and what kind of activity they would like to implement on Christmas Island and then we can tackle the issue.

Mr SNOWDON—Right. I am aware of Kiat's insurance problems. Are there other people in a similar situation?

Mr Tan—Yes. Two of our members, Tan and Tan Car Rentals and also Soong's Car Rentals, are in the same boat, which applies to the whole island.

Mr SNOWDON—I will explain for the purpose of the committee that both Soong and Kiat cannot get car insurance for their hire vehicles. This has happened for over 12 months. Effectively, Soong has hired some vehicles out. I do not think Kiat is at the moment hiring any vehicles out, in terms of normal hire.

If you come as a mainlander to the island for commercial purposes and are here, say, for two months and want to hire a vehicle, you can get insurance for that vehicle in Perth but you cannot get it on Christmas Island, which is quite bizarre. It means, effectively, that this industry is being handicapped quite dramatically by the lack of ability to get insurance. And that is only one area of the insurance market that is not being properly covered, so it is an issue that we need to pursue. I know it has been pursued previously, but we need to pursue it again, because it is handicapping the ability of these small businesses to operate.

Mr Tan—It is not only that, Mr Chair. We are looking at it more from a tourism and economy point of view. If these insurance companies do not get involved, obviously it is not going to bring tourists to Christmas Island. One of the problems is zoning. No major insurance company will underwrite Christmas and Cocos Islands.

CHAIRMAN—On behalf of the committee, Mr Tan and Ms Foo, I thank you for your attendance here today. If there are any matters on which we might need additional information,

the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you can make editorial corrections.

[11.48 a.m.]

JEALOUS, Ms Virginia Lesley (Private capacity)

CHAIRMAN—Welcome, Ms Jealous. Do you wish to comment on the capacity in which you appear today?

Ms Jealous—Yes. I am here on behalf of a group of Christmas Island residents.

CHAIRMAN—The committee prefers that evidence be taken in public. However, you have requested that your evidence be given in camera. Before I go to that, the committee has received a submission from you. Is it the wish of the committee that that be accepted? There being no objection, it is so ordered. I now turn the evidence that you wish to give in camera.

Ms Jealous—No, I do not want to give it in camera.

CHAIRMAN—You are quite prepared to give it in public?

Ms Jealous—Yes, that is fine.

CHAIRMAN—Before we ask you some questions, do you wish to make an opening statement?

Ms Jealous—Yes. First of all, I would like to record my astonishment at the notion that a public meeting scheduled for one o'clock started at 9.30 this morning. I was not aware of that and people who have cleared their diaries to be here from one o'clock were not aware of that. The notion of holding a public hearing that the public has not been told about is a bit distressing. I wanted that to go on record.

CHAIRMAN—For the *Hansard*, I understand that bulletin No. 2203 on 5 March issued by the Department of Transport and Regional Services gave notice of that.

Ms Jealous—The time given was 1 p.m. There are ways of getting the word around the island. I am not familiar with the way proceedings work, but I would like to read through this statement and present it orally.

CHAIRMAN—Go ahead.

Ms Jealous—This is a statement from several Christmas Island residents to the committee. We understand that the committee's March 2003 review and visit will include consideration of environment and land management and community safety and community care. We would like to make the following comments in relation to environment and land management during the recently mothballed IRPC development. We are aware that the development was exempt from the Environmental Protection Biodiversity and Conservation Act, the EPBCA, and understand that its exemption was specifically on the grounds of the high-priority nature of the project. The usual environmental impact assessment procedures were bypassed.

We would like clarification on the following points: which agency now has responsibility for monitoring environmental impacts of the land clearing on the proposed IRPC site and the related housing developments in Poon Saan and Silver City? This is of particular concern in the residential area, given the erosion during recent heavy rains. Now that the IRPC project has a less urgent time line, as stated in the ministerial press release on 19 February, what is the status on the island of the EPBCA? Will it be reinstated and will due process be followed during the re-tender and revised development of the project? When or if the EPBCA is reinstated, what, if any, reparations can be made under the act for environmental damage sustained during the high-priority phase of the project?

We would also be interested to know when the costs to date for the IRPC, including those associated with the cancellation of the present contract, will be made public and how much of those costs could have been saved if the project had run to a normal time line. We believe that this information will enable islanders to make better cases for community based project funding in comparison and will allow some more accurate perspective on government priorities and interests in respect of overall funding for the island.

As an adjunct to these comments and in line with the committee's brief to review community safety and community care issues, we would make the following comments. The island has, over the last 18 months, become a de facto military base during the periods of shore leave and changeover from the ships offshore. We would like to put on record our distress at the presence of armed troops undergoing training exercises at the Cove, the most public and easily accessible beach on the island. It is located in a residential area. In relation to the orders not to photograph, what legislation exactly governs permission to take photos in public areas and, if the actions of the troops are secret, why train in full public view? There is a lack of PR on behalf of the military. For example, the island newsletter could be a forum for introducing and explaining the presence on the island of troops in general terms. There is a need to explain to the island's children why all these people in uniform are here—'Are we at war, mum? What are they doing here?'

In conjunction with our anxiety and distress at the lack of information about the wellbeing of the invisible and voiceless asylum seekers on the island, this has been a most stressful time for all of us. That is signed on behalf of, I think, 18 people. I have a couple of extra signatures to add to that. Thank you.

CHAIRMAN—As it is the custom of this committee to ask the questions and not to answer them, we are not prepared today to answer those questions, but we will take them on notice and the secretariat will get back to you with answers.

Mr SNOWDON—Could you elaborate a bit further on your concerns about the Environmental Protection Biodiversity and Conservation Act issues?

Ms Jealous—Yes. Specifically, post the rains, the erosion issue has been huge, with mud slips into the ocean. Environment Australia will obviously have better information than we do about that.

Particularly down towards North West Point, I believe that some of that area through there is quite critical as far as the Abbott's booby is concerned. I am not sure if the status is highly protected or endangered species on the island, but the fringes of that habitat have certainly been

affected. At the moment, while the EPBCA is in limbo, there is no need to be assessing the impacts of that on the Abbott's booby, for example. Those are some of the concerns that we had.

Mr SNOWDON—In relation to Thredbo, I think it is called—

Ms Jealous—That's your phrase, not mine!

Mr SNOWDON—what has been the visual impact of the erosion? I have been up and had a look at it.

Ms Jealous—Following the cyclone that was just off the island here a couple of weeks ago, there was quite an impressive mud slick coming out into the ocean. My understanding of why that happened was that the carry-off had not been sufficient to take the water efficiently down the slope, as planned, and the soil had washed down through the stormwater drains and out.

Senator CROSSIN—Do you know if there was any environmental assessment done of the building that has occurred up at Poon Saan and Silver City?

Ms Jealous—To the best of my knowledge, no. But I do not know the answer to that. Much of that was fairly shrouded in secrecy in the early days. Not much was known until building had started.

Senator CROSSIN—That is the one that is moving down the hill, is it?

Ms Jealous—Yes, and there have been some structural cracks in the roadworks and so on up there since the rain started. It is fairly significant land movement from what I hear.

Senator CROSSIN—With the exercise undertaken by the troops when they come on board, is there no public relations exercise undertaken by the military? Do they not let the community know through, say, *The Islander*, when they are going to come onshore? Do they not have recreational activities with the people on the island, such as footy matches?

Ms Jealous—Yes, that sort of stuff happens and I am sure that the ships let the public sector, the bank, the post office and so on know when they are going to be onshore in any numbers, because it is obviously easier for everybody to have that information. However, there has been a group on island for probably the best part of three or four weeks now and we have no idea why they are here. They have been living on Cocos Padang until recently and we are not sure why they have been living there. It is not the fact of having troops on island; it is the business of just not being quite sure about why they are here. Just a bit of a paragraph in *The Islander* would be a really good gesture towards those of us who use places on the island which are suddenly full of men in uniform; mostly men in uniform.

Senator CROSSIN—What about the issue about orders not to photograph? Has there been a specific communication to not take photos of these people?

Ms Jealous—Yes, two or three times that has happened in my presence, down in the cove when exercises are undertaken, when people have been down there for other reasons—for example, taking photos of the crab migration—and cameras have been turned on the troops and

military police have come over and said very firmly that photography is not allowed. Mr Chairman, I apologise for the format of this. If we ask questions and that is not the way these submissions work, that is because there has been very little public information about what the form is to address a committee like this.

CHAIRMAN—There is no criticism, Ms Jealous. You want a comprehensive answer and we are not armed with that.

Ms Jealous—Yes, I understand that.

CHAIRMAN—It is normally the other way around.

Senator SCULLION—Most of my questions have been answered through your submissions to other members, but you make a statement here about the anxiety and distress caused by the lack of information on the wellbeing of the asylum seekers on the island. Do you have any reason to feel concerned about their wellbeing? Do you have any reasons?

Ms Jealous—Of course, they spend 15 months behind razor wire on Christmas Island with no access for the community—no provision for visits. Of course, we have every reason to worry about their wellbeing. There was the incident just before Christmas when some burning was done—not by the inmates up there at the moment—so yes, of course there is reason to be worried about how the people in detention are—

Senator SCULLION—What sort of information do you think would make you feel better?

Ms Jealous—Similar sorts of protocols as there are on the mainland for visiting detention centres. I believe that is under way at the moment. I am having some communication with the current immigration person who is being very helpful at trying to get access for us. But 15 months on, when there are seven people left in the centre, it is really a bit late. Standard protocols are in place at all the mainland detention centres, and that has not been even an issue engaged with on island, despite the best attempts of some groups—the church groups here and so on—to gain access to the centre.

Senator SCULLION—So what I understand is that your lack of information really refers to having access to the same sorts of protocols for visiting people and those sort of issues. That would give you some sort of validation that they are not—

Ms Jealous—It is certainly the biggest issue for the group of people who signed this letter, yes; the invisibility of the people up there.

CHAIRMAN—Ms Jealous, I will be writing to Minister Tuckey and Minister Robert Hill to seek answers to the questions you have asked. I will get back to you with a letter attached to the answers—

Ms Jealous—I look forward to that.

CHAIRMAN—when I receive one.

Ms Jealous—Thank you.

CHAIRMAN—I can guarantee that I will receive answers, Ms Jealous. I thank you, on behalf of the committee, for your attendance here today. If there are any matters on which we need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you may make editorial corrections.

Ms Jealous—Thank you.

Proceedings suspended from 12.02 p.m. to 12.47 p.m.

DUNT, Mr Gareth Ellames, Chair, Economic Development Committee; and Chief Executive Officer, Shire of Christmas Island

CHAIRMAN—I welcome you here this afternoon, Mr Dunt. These hearings are legal proceedings of the parliament and warrant the same respect as proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee has received submission No. 21 from you, Mr Dunt. Are there any corrections or amendments you would like to make to your submission?

Mr Dunt—No, there are not.

CHAIRMAN—The committee prefers that evidence be taken in public but, if you wish to give confidential evidence to the committee, you may request that hearings be held in camera and the committee will consider your particular request. Before we ask you some questions, do you wish to make an opening statement?

Mr Dunt—No, I do not, thank you.

CHAIRMAN—We will therefore proceed straight to questions.

Senator CROSSIN—Mr Dunt, can you give us a bit of background as to what the committee does and what its focus is?

Mr Dunt—Certainly. The Economic Development Committee became incorporated in April last year with funding of \$75,000 per annum from the Commonwealth Department of Transport and Regional Services to expend—as agreed with the department normally at ministerial level—to support and encourage businesses on island and other businesses to invest in the island. Since then the projects we have currently completed and ongoing projects include a new business directory for the island, which was modelled on the Broome Council award winning model. That went to a printer in Singapore on Saturday so it should be available for distribution by late March, early April.

We also partly funded a construction workshop on the island and invited different builders, both on island and off island, to show examples of designs and construction methods suitable for the island terrain. We also engaged two hydroponic consultants who were both hydroponic growers themselves. One was the national president for the Hydroponic and Greenhouse Growers Association of Australia. They came to the island last year to run a workshop on hydroponics and also to look at some agricultural sites currently available on the island as to their suitability and to collect data with regard to water quality, the types of bugs we have here et cetera. There are people interested in investing in that on the island. The consultants are currently costing a three-greenhouse type of system whereby in the first year you would grow in the first two greenhouses such items as tomatoes, capsicums, bok choy, pak choy and the other types of vegetables in common use by the island residents and also by the Cocos Island residents. We expect those costings to be available within a week or two. That is still looking quite positive.

We have also advertised for expressions of interest for a boarding house type of facility for fee paying students from the north. Unfortunately, at the particular time last year, there was no interest shown from anybody on the island. Another issue we have been looking at is the possibility of inviting a university campus to the island, whether that is for use all year or for only particular times of year—for instance, the crab migration period—to encourage tertiary education availability on island. We have also partly funded a tourism video, which is in its final draft form, for the island. Also, in the last two days I have received correspondence from a well-known tuna fishing organisation currently operating out of Port Lincoln who are also interested in the feasibility of farming yellowfin tuna and big eye tuna in the vicinity of the island.

Senator CROSSIN—Mr Dunt, during the last year did your committee play any role in assisting businesses to gear up for the building of the reception centre?

Mr Dunt—No. We were not approached by any local businesses or outside businesses for any assistance.

Senator CROSSIN—So there is no direction from DOTARS with this money to look at a long-term economic strategy for the island under this plan?

Mr Dunt—One of the projects we have on our books, which we have not been able to get finished as yet, is a long-term economic plan for the island. Because of the particular members of the current committee and the fact that the shire does have a strategic plan for the island which they have all had input into, we have been basically relying on that strategic plan for the island as our current model until we use it in some format to put together our own.

Senator CROSSIN—This morning the Chamber of Commerce gave evidence to us that they believe that the plans the island may derive, either through your committee or the chamber, do not seem to match with whatever plan the federal government has—in fact, they are probably not quite sure what plan the federal government has for this island—given the announcement in February of putting the detention centre on hold. Is that the way your committee sees it? Is there a degree of frustration also held by members of your committee?

Mr Dunt—It would be fair to say that not knowing what the strategic plan of the Commonwealth is for this island does make it difficult to try and meet those strategic goals.

Senator CROSSIN—So are you, in some sense, working in isolation or just beavering away at projects without support from the Commonwealth?

Mr Dunt—The way the process is at the moment, the EDC comes up with a particular idea or approach—for instance, we were approached just recently by Austasia Airlines for some financial support. That has gone to the minister and we do not know the outcome of that as yet. The chamber has two members on the EDC and the shire has one member—which is myself—and the tourism association has another member. I think all those organisations, because of their input into the shire's strategic plan, do basically see that currently as our model for the island.

Senator CROSSIN—The shire's strategic plan would be something that all groups and committees have endorsed as being the way to go.

Mr Dunt—Yes, that is correct.

Senator SCULLION—Mr Dunt, I am interested in your views. I heard some of the views you espoused at yesterday's meeting and the importance of ownership in such a small community in any of the plans that have to go ahead, particularly in a strategic sense. I understand that you have the shire or the council's strategic plan for the island. Out of all the plans that are around the place, would you say that is the plan that has the most ownership and the widest consultation currently available?

Mr Dunt—Yes, I would. We used a well-known—at least in WA—consultant, Dr Liz Paterson. She assisted the shire in formulating the consultative process and spoke to many of the organisations. They were also invited here, in this room, to several public meetings we had. I think we targeted every organisation on the island. It was basically two weeks of solid consultation with all the different groups. Individuals were invited along as well. In the four years that I have been here it was probably the best consultative process I have been involved in.

Senator SCULLION—Who paid for the council's strategic plan for the island?

Mr Dunt—The WA Department of Local Government was very supportive. They recommended that we use Dr Liz Paterson, and council endorsed that.

Senator SCULLION—It is a reasonable assumption, since local government is paid for by the Commonwealth, that this is a plan that has been developed, effectively, by the Commonwealth of Australia, so they should have an understanding of it. Do you think there is a need for them to develop something independently of this or is this something they should stand firmly behind?

Mr Dunt—One of the statements in our strategic plan seeks endorsement of it by the department and the Commonwealth, and that it become the strategic plan for the island. Whilst they have said it is a very good strategic plan and they endorse it at the bureaucratic level, it has not received formal ministerial approval.

Senator SCULLION—Has that already been put to the minister—that they endorse it—or is that part of the ongoing process?

Mr Dunt—No, myself and the president, Andrew Smolders, handed that to the minister in Perth during Local Government Week in August last year.

Senator SCULLION—I want to establish, effectively, that it should be seen that the Commonwealth's strategic plan for the island be the same as the shire's strategic plan for the island.

Mr Dunt—That would be great, from our perspective.

Senator SCULLION—I would not see it going any other way, in the absence of any other plan with any ownership. Is tourism encompassed within the strategic plan for the island?

Mr Dunt—It certainly is.

Senator SCULLION—You would not see a real benefit in developing a separate strategic plan for tourism for the island? You would use this as the main vehicle to progress that strategic plan?

Mr Dunt—I am also on the Tourism Association committee, and they have a tourism marketing plan for the island. Their marketing plan is more the nuts and bolts of how you would achieve what we have as our strategic goal for tourism on the island.

Senator SCULLION—Are there any gaps in your strategic plan that you have not dealt with yet or that are perhaps under-resourced or you would like resourced?

Mr Dunt—There certainly are. In the strategic plan that I have given to Ms Sara Edson, we have made comment as to whether they are funded or currently not funded, and there are several that are not funded.

Senator SCULLION—If they are voluminous, either the secretariat can provide those or you can take the matter on notice.

Mr SNOWDON—What discussions, if any, have you had with the mine about its proposed extension to the mining lease areas?

Mr Dunt—The shire officers and the shire policy committee met with the consultant, Mr Dan Gillespie, on what their proposal is for the new mine leases, and council has endorsed the mine being allowed to extend into those areas. It was also a debated point at our land planning strategy on Monday and Tuesday of last week that, whilst the broader community sees tourism as the underpinning economy further down the track, because of the resources required for the infrastructure that will attract the targeted market—which is the low numbers, high yield type ecotourists—it will probably take 10 to 15 years to get all the infrastructure in place and funded. If the mine can be extended by that amount of time due to the fact that they have new leases to work, that would allow the community to keep on going whilst that infrastructure is being put in place.

Mr SNOWDON—In terms of your strategic plan, how central is the mining operation?

Mr Dunt—In the short term, it is very central. Even though the strategic plan says 2002-06, in the introduction we looked at 20 years with the community. One of the opening statements—and this came from the mine and from APSC—was that, within 20 years, both those operations will be closed. They have a 20-year window, and that is it. The mine, even if they get all these extra leases, will probably be closed in that 15- to 20-year period. It was heavily factored into our strategic plan that we need to start planning now for industry to replace those two major components, presuming that APSC does occur.

Mr SNOWDON—In relation to the strategic plan, is there any examination of skills required within the labour force to meet its objectives?

Mr Dunt—There is some. A lot of the skills requirements, especially if you are talking tourism, are really in the CITA marketing and tourism strategy. I have had discussions with different organisations on the island—for instance, Group Training—about what needs we could be addressing now. For instance, there is nobody running tours on the island. There are some

great opportunities, even now. The shire and CITA work very closely together. There is a heritage trail about to go in along the cove area here, which will eventually be extended right throughout the settlement. That is one opportunity, and there are others.

I think there are currently 28 temples on the island. Somebody with the necessary skills and knowledge could run tours to those temples. I do not know—and I have lived here for four years—what a lot of the gods are, what their important days are and those types of things. There are opportunities now to run those types of tours. Obviously, you would not make a full-time living from it at the moment, but further down the track you could probably make a decent living out of that type of operation.

Mr SNOWDON—The reason I asked the question is that we had a presentation from the Asia Business Council earlier on and they made the point quite strongly that, from their perspective, training was a key issue for them in terms of skilling up people for the tourism industry. I asked the question whether or not they had had any discussion with the IOT group training company and they said they had not. I was interested to hear your conversation with them. Clearly, they are part of setting an overall framework for training in terms of filling these employment shortages some time down the track.

Mr Dunt—Whilst the casino was being built, Group Training ran tourism and hospitality type courses for people to gain employment at the casino.

Mr SNOWDON—The point that was being made was that, in the context of where we are at the moment, with an effectively declining population and a need to increase demand in terms of the market, there were currently skills shortages on the island which needed to be met and that there needed to be some way of meeting those shortages in the short term. That was what was implied, and that is why I asked the question in relation to the IOT group training company. In terms of your strategic planning exercise, is the IOT group training company involved in developing outcomes that might be seen to come from the strategic plan?

Mr Dunt—They would be. Obviously, representatives from Group Training were involved in the strategic planning process. As the need is identified, we approach Group Training. Of course, if they cannot source a supplier of that training—depending on whether it is the EDC, CITA or the shire—we would source off island.

Mr SNOWDON—What is your budget?

Mr Dunt—The EDC's?

Mr SNOWDON—Yes.

Mr Dunt—Seventy-five thousand dollars per annum.

Senator HOGG—Regarding the new mining leases—and pardon my ignorance in this matter—there is an area known as the western terraces, is there not? Is that correct?

Mr Dunt—West Coast Terrace.

Senator HOGG—Is that in any of the leases in that area?

Mr Dunt—I am guessing here, Senator, but are you referring to the Dales area, which is where the west coast of the island is?

Senator HOGG—That is probably it.

Mr Dunt—That has recently been declared a Ramsar site, I believe.

Senator HOGG—All right, so that is safe. We have heard evidence from a number of groups here this morning—you are wearing two caps, which I am not critical of—and it does seem to me that for such a small island there are a number of organisations. In your view, are any of those at cross-purposes or is one duplicating the work that is being done by the other and thereby in some way weakening the voice with which they might speak? Is that possible?

Mr Dunt—I do not know whether they are working at cross-purposes. I would say a lot of the organisations are working to support other groups on the island—for instance, the shire. With our budget we would not be able to engage a person or one and a half people full-time, purely to look at tourism. The same applies to Group Training, who do the training right across the island. They are fairly stand-alone, unless it is specialist type training. I think at one stage there was a proposal from council—it was before my days with the council—that the council could carry out the economic development role here on the island with the funding received by the Economic Development Committee but, for whatever reason, that was not agreed to by the Department of Transport and Regional Services.

Senator HOGG—So there is a possibility of some duplication. Is the funding that the Economic Development Committee receives—\$75,000—strictly subject to guidelines that the minister might issue, or is there a bit of flexibility in the way it is spent?

Mr Dunt—No, there is no real flexibility per se, because any proposal that the EDC comes up with has to go through the Territories Office in Perth initially for agreement, and then I believe, depending on what the Perth bureaucrats think the minister might be overly interested in—for instance, I know the Perth office is forwarding support for Austasia Airlines—they will send to the minister for a decision. Some of the funding has just been signed off by the Perth office, I believe. Other funding that we applied for out of that \$75,000 goes to the minister for approval, or at least the minister's office. We do not get any funding up front. We have to put in a project with an expected budget, and then they will sign off on it and we will get the money for that particular project. We do not receive \$75,000 up front every year.

Senator HOGG—Is there any shire council input financially into the Economic Development Committee, or from the Chamber of Commerce or any other organisation for that matter?

Mr Dunt—I am the shire representative on the EDC and the chamber have two members on the EDC. There is a certain amount of input. I can quite honestly say that none of the councillors have—

Senator HOGG—Is there a financial input?

Mr Dunt—No.

Senator HOGG—Whether it be in cash or in kind?

Mr Dunt—In kind there is. I spend at least 10 hours a month working for the EDC, so there is obviously a financial contribution because the council is picking up my salary to represent them on the EDC.

CHAIRMAN—Thank you, Mr Dunt, for your appearance here today. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you can make editorial corrections, if any. Thank you for your attendance.

Mr Dunt—Thank you.

[1.11 p.m.]

THOMSON, Mr Gordon, General Secretary, Union of Christmas island Workers

CHAIRMAN—Welcome, Mr Thomson. These hearings are legal proceedings of parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee has not received a submission from you. Do you now wish to make or lodge a submission?

Mr Thomson—I wish to make a submission.

CHAIRMAN—Do you have a written submission?

Mr Thomson—I have a submission that I have prepared in the form of notes. I would also like to table these two paragraphs, copies of which have been provided to the secretariat.

CHAIRMAN—Is there any objection to Mr Thomson tabling those two paragraphs? There being no objection, it is so ordered. The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee, you may request that the hearings be held in camera and the committee will consider your particular request. Before we ask you some questions, do you wish to make an opening statement?

Mr Thomson—Yes, I would appreciate that opportunity. Firstly, I would like to thank the Joint Standing Committee on the National Capital and External Territories for the excellent work that the committee did in 2001. The product of that inquiry into the sale of the Christmas Island resort was published as the report *Risky business*. The union and the people of the island certainly appreciated the recommendations made—which have been ignored by the government, unfortunately—and specifically the recommendation that the laundry workers be paid from the proceeds of sales conducted by the Commonwealth of those assets to the tune of \$20,000. Minister Tuckey has written to me and said that that will not happen. It is a matter of regret that the Commonwealth, having full control of those assets, having sold those assets, should not see fit to distribute a dividend to the workers in the form of a payment of their entitlements, which any decent liquidator is required to do.

The former Minister for Territories, Senator the Hon. Ian Macdonald, had set in train, I believe, a process to give effect to your recommendation, and whether the decision is in the hands of the minister or somewhere else in the Commonwealth, I do not know. It is a matter of great disappointment and regret that those workers have still not been paid their entitlements today. It is only less than \$20,000 in total that is owed. The valuer's assessment of the likely proceeds of sale was far exceeded. In fact, the profit would have been more than \$20,000 above the valuer's assessment of what the Commonwealth would raise on the sale of the property. I cannot fathom any responsible government doing this to any worker in Australia, but I suppose it is very easy when those workers are in the middle of the Indian Ocean, with very little access. I restate our position of gratitude. We regard the deliberations and the activity of your committee as of the highest importance to our community. It is the only form of oversight of any value to this community of the decisions of the bureaucracy and of the minister.

We effectively have a one-party state rule on Christmas Island, where the minister is the minister for everything. When we have a minister who is not well disposed to persons or organisations—as is the case with our present minister, who seems to think it is fair enough to target elected representatives of the shire council for personal abuse and, in fact, to discredit an entire process of consultation by his abuse of elected representatives of the council, as was the case in March last year—deliberating on the wellbeing of our community, it is a great comfort to know that your committee is in existence and we are able to put things to you.

In the matter of the laundry workers, we are all at sea. Where to from here? We seek your guidance and continuing support in resolving that vital question. In the matter of Christmas Island Phosphates, the nine mining leases, the UCIW of course, having been the organisation responsible for setting up that mine, continues to support the existence of the mine and obviously the nine leases being sought, which are adjacent to and adjoin current leases. This is a very reasonable proposition to keep our community alive. This mine has been in operation for 100 years in one form or another. It has very deep and solid foundations in our community. Our community is built on phosphate and it is a very resilient and tough community. I am sure that the committee will see the wisdom of putting support behind the application for the mining leases, to extend the mining leases in the nine areas nominated by the mine.

There is probably no-one on the island who has any long-term involvement with the island who would not say that the mine is the essential engine of the island's economy. The social formations that have been developed around phosphate mining are also very important and delicate and require your attention. To that end I will address the Commonwealth's conduct in terms of the direct employment of Commonwealth employees. Through that process of discussion, I hope to develop a better understanding, particularly in our new committee members, of how the island works and something of the history of the island.

On matters of recent activity on the island which have a bearing on the employment of our members, last year there was a discussion paper produced about the privatisation of the management of the hospital. It may have reached the committee—the report produced by Dr Michael Kwek—and I hope it has. That document contains some very important observations about the operation of the hospital. Unfortunately the recommendations are very sparse and relate only to privatisation of management. The body of the report deals with many important issues and the one of most concern to the union is the fact that there is a huge expenditure in areas which can certainly be reduced. The expenditure could be reduced in the operation of the hospital if the Commonwealth were to put some money into scholarships for training of medical staff, nurses in particular, and maybe even some scholarships for doctors. We seem to have a problem in getting and retaining qualified nurses and doctors. I do not need to go into the division of the nurses. There are some long-term employees at the hospital: the enrolled nurses, who are of very high value to the medical service, and the registered nurses who are brought from the mainland to Christmas Island. There are complex issues there but they cost a lot of money when they are agency nurses. Since I have been on the island we have put to the Commonwealth that it invest seriously in training local people in these fields of endeavour. The Commonwealth has ignored those suggestions.

If the committee is aware of the Kwek report into the health service, it should also be aware that, as a result of community discussion of that report, Dr Michael Kwek sat with community organisations to review his report and further recommendations were developed from his report. Obviously we were very unhappy, as a community, at the suggestion that any part of the health

service should be privatised. We view one step in the direction of privatisation of the health service as the beginning of many steps which would result in the privatisation of all, or most, of the functions of the health service. As we heard yesterday, the attempt to privatise the dental service has failed. If the committee wishes to ask our views about why we are opposed to privatisation of medical and dental services, I am happy to provide answers, but I am trying to skip through my agenda fairly quickly, at your request, Senator Lightfoot.

CHAIRMAN—Yes. I did not want you to necessarily truncate what information you think the committee should have, but we have limited time.

Mr Thomson—I would certainly highlight, for brevity's sake, the issue in *The Islander*, the paper of record for the island, dated 6 December 2002, issue No. 267, page 4. Page 5 is worth reading, too. It is 'Here comes the iron bar' and I think you know what we are talking about there. Page 4 is the joint statement from the Christmas Island community organisations and Dr Michael Kwek, in which we raise further recommendations for the attention and qualifications of his report. What Dr Kwek is concerned about is that, where he might recommend privatisation of the management to solve certain management problems at the hospital, he has overlooked certain things. The things everybody agreed upon were that the medical services should remain free to the residents; patients being assisted to and from Perth for medical treatment would remain the same; the Commonwealth government would continue to finance the health service fully; and that there would be more employment and training opportunities for local health care workers. Dr Kwek has done a very good job with his report, elaborating on those issues within the body of the report. Unfortunately it does not appear in the recommendations.

The further recommendations the community have put forward are that we call on the Commonwealth to immediately commit to provide education grants for local people to train for qualifications in medical and health occupations; we congratulate the Shire of Christmas Island for the decision to investigate the feasibility of the Shire of Christmas Island taking on responsibility for operating the Christmas Island health service and, as participants in the health service advisory committee, we seek input to any decision about the employment of a new general manager. That was denied. With a new general manager structure in place, the benefits would flow to health services et cetera. That statement is signed by the Christmas Island Association, the Chinese Literary Association, councillors of the Shire of Christmas Island and the Union of Christmas Island Workers. I submit that.

CHAIRMAN—Is it the wish of the committee that that be accepted? There being no objection, it is so ordered.

Mr Thomson—Just to wind up on the health areas, it is critical in our view, as a community, to see local people trained in health services. The next major issue, and the biggest issue on the union's agenda currently, is that of the privatisation or contracting out of Commonwealth cleaning and gardening functions at the airport, the school, the hospital and the administration building.

Privatisation of these functions on Christmas Island could have unacceptable consequences for our long-term island residents who are directly employed by the Commonwealth in those positions—for example, with contracting out, tenders from other parties may succeed and thus displace those currently employed. There would be very few job opportunities for those

longstanding Commonwealth employees if they were to lose their jobs now. That has to do with the age of the employees and also the relative lack of English language. Most of the people employed in cleaning and gardening functions do not have much English. Some do, some have none and some have a little. The UCIW is currently engaged in a dialogue with the administration about the Commonwealth's decision to call for expressions of interest in providing the cleaning and gardening services currently performed by the Commonwealth's direct employees. I refer you to the administration's bulletin No. 2403 of today's date, 11 March, and submit that to you.

CHAIRMAN—Is it the wish of the committee that that document be accepted? There being no objection, it is so ordered.

Mr Thomson—I am advised that it is the minister's decision to contract out this work. For his employees, the timing could not have been worse. The Commonwealth has called a halt to work on the permanent immigration reception and processing centre. There are going to be many contractors suddenly out of work because of the government's decision to pause the IRPC project. These workers have come here to work, and any work will do while they wait for the IRPC job to restart. Many will return to the mainland. Some will stop, hoping to get an inside run when it all starts again, or maybe they are tied to one of those very high-rent leases and cannot leave without killing their reputation with real estate agents.

During his visit here two weeks ago, the minister was faced with a very gloomy and cantankerous business community. His decision three days before his visit to the island to make redundant 25 per cent of the Commonwealth's work force and replace them with contractors was an extremely insensitive decision, if one were to consider the sensitivities of the minister's own work force. In our opinion, the minister is not at all interested in the welfare of his own employees. The decision seems to have been calculated as a small offering to the island's business community, which the minister takes some trouble to court—that he is putting up some jobs for tender to keep the Chamber of Commerce off his back. That is my view.

The local administration has made some effort to ameliorate the effects of the minister's decision by offering assistance to set up a company to employ the current employees to perform their old jobs under new badging. This offer has been accepted. It requires a lot of effort from the union to make this work. The workers themselves have very little English and require the assistance of the union. That puts an additional burden on us, and means that we are going to get pretty cantankerous too. It is difficult to imagine a group of 20 workers, most of whom do not speak English, managing to get a company organised and functioning within a reasonable time to take advantage of the government's offer to assist them to submit a tender for their own jobs. If the employees' tender fails, who is likely to succeed? I imagine that some wised-up contractor newly arrived on the island will take on the contract. They have certainly been sniffing around. It is not likely that the current employees will be employed.

There appears to be a division in our community between the unionised long-term islander work force, which is predominantly made up of people of Chinese and Malay cultural backgrounds, and more recent arrivals from the mainland who make up the so-called self-employed contractor non-unionised work force, which is predominantly made up of people of European ancestry. Understandably, there are many issues by which to identify the difference. The long-term island work force has lived the experience of the racially segregated society that Christmas Island was until the formation of the UCIW in 1975 and the advent of

laws which prohibited racially based discrimination in employment and provision of services—that is, the enactment of the Racial Discrimination Act of 1975.

I do not have time today to provide a thorough exposition of this matter. Christmas Island was a place where all aspects of life—working and social existence—were divided on the basis of race. Suffice to say it is reasonable to expect that many more recent arrivals on the island have little or no knowledge or understanding of the history of the long-term island workers. This is one area of difference that needs to be understood by the government and such understanding given full exposure to the light of day when decisions are made about the lives of our island people.

The parents of this island place a very high value on their children's education. I am talking here about the Commonwealth's own employees in particular, especially gardeners and cleaners. They want to see their children properly educated, and they do everything they can to put them through university and TAFE courses for post-secondary education. Without the jobs they have with the Commonwealth, many of these parents will have no prospect of continuing the support they scratch and save to provide. There is, therefore, another generation to consider in addition to the direct employees of the Commonwealth when considering the blanket application of government policy. These workers cannot simply walk down the road to a more prosperous town to find another job. We live on a tiny dot in the middle of a mighty ocean and are 2,600 kilometres from the nearest city. It does not make sense to apply a policy that can have such devastating effects on people who suffered enough under the old colonial regime.

The UCIW requests the joint standing committee carry out such investigations as would permit the committee to reach an understanding of all the ramifications for the people of Christmas Island of the Commonwealth government's policies on privatisation and contracting out. We urge the government to suspend all decisions about privatisation and contracting out of services currently provided by the Commonwealth and its current employees until a report and recommendations are presented to the parliament.

Mr SNOWDON—What areas of the work force are covered by the union?

Mr Thomson—All areas of the work force on Christmas Island, except police. Any worker is entitled to join the union.

Mr SNOWDON—What is your membership currently? Is it growing?

Mr Thomson—The current membership is about 400. It is steady. By comparison, when the resort was in full swing membership was around 700. The resort employed 320 people. We went down to 400 fairly quickly, and have maintained that membership. There has been no change of significance since any of these new projects came to town.

Mr SNOWDON—What has the union's experience been in the past of this contracting out process?

Mr Thomson—In my time, I have no experience of contracting out of Commonwealth functions that has affected our members directly. There has been contracting out of the IT provider. There was a directly employed person who provided the information technology

services to the Commonwealth, and that person is still employed by the Commonwealth under another company name.

Senator HOGG—Is there a Centrelink on the island?

Mr Thomson—The Shire of Christmas Island operates Centrelink type services under contract for a few hours a day. I am not quite sure of the extent of those services. There are employment services contracted to the Indian Ocean Group Training Association. There is a division of Social Security and Centrelink type services.

Senator HOGG—If these persons that you referred to in the cleaning and gardening area were to be made redundant—and I am hoping that does not happen—would they be picked up under the umbrella of social security services?

Mr Thomson—They would get the dole, yes. That is probably what they would get.

Senator HOGG—And there would be a limited opportunity for other employment on the island?

Mr Thomson—Yes.

Senator HOGG—There are no other employment providers through whom they could seek employment?

Mr Thomson—The mine has operated—with a certain level of approval from the union—during occasions of high unemployment, rotation of work; a three-month casual contract. For certain areas of the operation which are casualised, there has been an arrangement whereby you will do your three months and then you will have three months off and someone else will do it for three months. That has worked to varying degrees since 1990—it is a community self-help kind of thing—but gradually those sorts of positions are being wiped out.

Senator SCULLION—You spoke of your support for phosphate mining generally, and I can understand the pretty self-evident connections with the community. You speak of the nine areas beyond the mine at the moment. I do not have a great deal of knowledge but do I understand some of those at the moment are adjacent to or within the Christmas Island National Park.

Mr Thomson—No, Senator, none of the applications cover the national park at all. What is in the national park and often talked about are various dumps or stockpiles of phosphate. Of course, a stockpile is a lovely source of business if you can get your hands on it. There is some negotiation going on between CIP and National Parks to get hold of some of that. I do not know the status of those negotiations. I am not a part of it.

Senator SCULLION—In most places in the world there is a rehabilitation requirement now if you are going to do things, or nasty things, to the environment—having seen some of the mining operations, ‘nasty’ would be a reasonable description of the result before rehabilitation. I look forward to visiting first-hand some of the rehabilitation work happening on the island. What level of confidence do you have that they are being rehabilitated back to the same sort of biodiversity value as was there prior to the mine?

Mr Thomson—I cannot answer that question with knowledge, so I won't.

Senator SCULLION—I do not know if I misunderstood you, but in the same sentence you were saying the hospital can be run more effectively—'We can probably run it more efficiently or more effectively.' I am not sure of your exact word, but that was the thrust of it. Then you went on to talk about perhaps offering scholarships. Can you help me to understand that?

Mr Thomson—I will give you an example; no names. The father of a family I am fairly friendly with is now unemployed, having been made redundant last year, because the minister has removed the control of the levy from Parks to the minister's office. Parks could not guarantee the ongoing employment of a group of people. The daughter of one of those people in that group has been trying to complete a nursing degree for the last four years. She has been recalled to the island at odd times because they can no longer afford to keep her there. They are a reasonable size family, by the island standard, of four children; one grown up and taking care of herself, married, with a job. The next child is trying to get a nursing degree and they simply cannot afford to keep her there. The whole family could not even afford to fly out on the weekend to visit a dying relative in Malaysia. People are scratching to do basic family obligations within the cultural confines in which they operate. When it comes to education, everybody tries very hard but food on the table is very important and people do their best to keep their kids there—as I said, four years of being there and having to come back because of financial pressure in some cases.

There is another dimension to the problems there and that is the cultural preoccupation that some people have—the need to be respected and understood—so that it is even more important that safe, secure, appropriate accommodation is available for people.

Senator SCULLION—My last question relates again to scholarships of some type. I am not the full bottle on it, but I understand that in other parts of Australia there is a return of service obligation; in other words, if we give someone a scholarship, instead of them going to Perth and running a 50 per cent chance of losing them because they have a partner at that time at university and they do not come back, there is a return of service obligation to the particular community you have identified.

Mr Thomson—Yes.

Senator SCULLION—Do you think that would be useful?

Mr Thomson—My brother had a teaching scholarship, three years training and three years he had to give back to the state. He got out of it by going off and doing his university degree as well. I think if people want to do it, they will stick with it. If they cannot cop it, they will find a way out. If you train local people in the professions to come back and work in their community, they will grab it with both hands. You will not have to tie them up. I do not think the service obligation is necessary. People grab the opportunity.

When it comes to other forms—business degrees or something like that—they are going to stay in the city and earn their money there, because there are not a lot of business opportunities on the island. But when it comes to the professions, the vocations, whatever you want to call it, they are occupations of commitment. I would think being a nurse is a fairly serious commitment. It is not for everyone.

Senator CROSSIN—Mr Thomson, regarding the laundry workers, is there any proposal now to pursue that matter through the courts? Is that an option?

Mr Thomson—It is a very warped and difficult path. Perhaps we could put it back to this committee. As I understand it, there is some conjecture along the lines that the Commonwealth was not at liberty to sell the property. I am not talking about the contents, because they did make an effort to find the owner of the contents—and the owner was not responsive—but the property itself. I believe it might be the case that the property was vested in the shire. Is it legal for one party which has given over its control of a property to someone else to come along and sell it without the permission of that party to which it ceded control of the property? That is a legal question. Do you want the union to get involved in that? It is \$50,000 for a straightforward legal case but if we have to pursue legal arguments where the Commonwealth and the shire and everybody are throwing their hands in the air and throwing lawyers bills at us, you would never get an answer. It is a political solution that is required.

Senator CROSSIN—That is right.

Mr Thomson—There is no legal avenue which is not going to take years and hundreds and thousands of dollars.

Senator CROSSIN—The laundry assets inside that building, as I understand it, were sold for \$110,000 despite the fact that \$90,000 was originally asked for them. The Commonwealth in effect has made \$20,000 on the sale of the assets. Is that right?

Mr Thomson—Absolutely, yes.

Senator CROSSIN—And the money outstanding to the laundry workers is only \$20,000. Is that correct?

Mr Thomson—That is right.

Senator CROSSIN—The bulletin you tabled starts off by saying:

In line with current government policy to market test the provision of government services—

CHAIRMAN—The bulletin from DOTARS?

Senator CROSSIN—This is the bulletin from DOTARS that Mr Thomson tabled, yes. Does the union have a copy of that current government policy, or are you aware of how far that policy extends?

Mr Thomson—No, I do not.

Senator CROSSIN—Have you ever seen that policy?

Mr Thomson—No.

Senator CROSSIN—Perhaps that is something this committee might ask DOTARS to provide us with.

Mr Thomson—I would appreciate it, if you could get hold of it. It is very hard to pin them down on this sort of thing.

Senator CROSSIN—Yes. Of the 19 people currently subject to this market testing provision, are they all working full-time, or is there a mixture of full-time and part-time?

Mr Thomson—Full-time.

Senator CROSSIN—They are working full-time. What would the average salary be?

Mr Thomson—It is \$24,000. They are the lowest paid people in the world. The lowest salary is just below \$24,000 without the district allowance, so the base salary is \$24,000 for a cleaner. They are getting a pay rise in the new EPA of 12 per cent, but wage rates are an issue for the cleaners. The nurses wage rates are also an issue. They are 20 per cent below the mainland. We have been choked to death over the last five years.

Senator CROSSIN—Have you any idea how much, or what price, the government is looking for in this tendering out service? There has been some suggestion it is around \$300,000.

Mr Thomson—I have no idea what they are looking for.

Senator CROSSIN—As I said, there has been some suggestion it is around \$300,000. What I am leading to is, if those 19 people were made redundant and then were entitled to benefits from Centrelink at \$380 a fortnight, that in fact comes to around \$400,000 a year. Has there been any evidence provided to the union about whether there would be a cost saving in this? There might be a cost saving in the cleaning and gardening services, but from my calculation there would be an additional expenditure of \$400,000 out of the Centrelink budget.

Mr Thomson—I would put to you that there has not been much thought about cost savings at all. This is a political decision. The minister set aside any concern he might have had for his own employees and made an announcement a few days before he came to the island that all these jobs were going to be up for contract. I think it was a political decision made in haste. I would like to thank the local administration for ameliorating the effect of his decision, because they argued that there should be an opportunity for the workers to bid for their own jobs and they should be provided with the wherewithal to do that.

There was no thought put into this decision and it would not surprise me if they are prepared to pay three or four times the cost of employing these people directly, just to get it contracted out because that is what they want to do. I explained the division in our community between the unionised work force and the non-unionised work force. I think there is an evil and bloody political force at work here which is determined to take advantage and create further division. I was very disturbed, despite the good conduct of the administrator in one respect, to see that he had basically given up arguing with the minister about it. People on Cocos live on the dole: why not here? This seems to be the attitude. There is a loss of hope in the leadership in our community. I think that is very sad.

Mr SNOWDON—In relation to the employees, how many were there?

Mr Thomson—There were 19 and it is down to about 15 now.

Mr SNOWDON—What sort of redundancy payments are we talking about?

Mr Thomson—Not much—probably \$15,000.

Mr SNOWDON—Each?

Mr Thomson—For 30 years' work.

Mr SNOWDON—The cost of redundancies on its own would be greater than the savings?

Mr Thomson—The cost of redundancies would be significantly higher than the mainland because we get three weeks per year of service redundancy pay, whereas on the mainland it is about two weeks. That has been on the island since 1981. That was part of the depopulation strategy, where you paid big redundancy to get people off the island. We have had one benefit of redundancy packages of the eighties.

Mr SNOWDON—Are there other classifications of nurses which have been similarly affected by the way in which the EBAs have been negotiated?

Mr Thomson—All—every worker, everybody employed by the Commonwealth has been choked, from the lowest paid to the relatively well paid. One of the reasons the Commonwealth has to spend so much money on nurses is because of the rates of pay. It went from parity in 1987 to now being 20 per cent. With our 12 per cent pay rise the nurses are going to be 20 per cent below the mainland. I call that being choked to death. What would you call it?

Senator CROSSIN—Is there a ceiling on the redundancy packages?

Mr Thomson—Yes, 15 years.

Senator CROSSIN—So 30 weeks in other words?

Mr Thomson—No, 45.

Senator CROSSIN—So 45 weeks is the ceiling.

Mr Thomson—Three weeks for every year of service.

CHAIRMAN—Thank you, Mr Thomson, for your attendance here today. If there are any matters on which we might need additional information the secretary will write to you. You will be sent a copy of the transcript of your evidence to which you can make editorial corrections. The Hansard reporter may wish to clarify some details with you before you leave.

Mr Thomson—Thank you for the opportunity to appear.

[1.52 p.m.]

BALDOCK, Mr Mark Stephen, Owner/Manager, Community Pharmacy

CHAIRMAN—I now call on Mr Mark Baldock who is appearing in a private capacity to give evidence today. Do you have any comment to make on the capacity in which you appear?

Mr Baldock—Thank you, Senator Lightfoot. I appear before the joint standing committee in my capacity as a community pharmacist who has practised on Christmas Island for seven years.

CHAIRMAN—Thank you. These hearings are legal proceedings of parliament and warrant the same respect as proceedings of parliament itself. Giving false evidence or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee has not received a submission from you. Do you now wish to lodge a submission?

Mr Baldock—I do not have a written submission to lodge.

CHAIRMAN—Are you going to give some oral evidence?

Mr Baldock—Yes.

CHAIRMAN—The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee you may request that hearings be held in camera and the committee will consider your particular request. Before we ask any questions, proceed with your opening statement.

Mr Baldock—Thank you very much. I wish to bring to the attention of the joint standing committee an obstruction to the supply of certain pharmaceuticals to the residents of Christmas Island. It is an obstruction that does not exist for a similar community on mainland Australia, to my knowledge. By way of illustration, it is my understanding that via the Therapeutic Goods Administration treaties and monitoring section the International Narcotics Control Board monitors the movements of narcotic medications in and out of the Australian territories. On Christmas Island this monitoring is achieved by a process of import and export permit approvals. The processing of these approvals by the Therapeutic Goods Administration is causing considerable delay to the supply of urgent narcotic medication, usually for pain relief, to patients on Christmas Island.

I will explain the process of the approval, as I understand it, for the knowledge of the committee. Basically medication under the control of the International Narcotics Control Board is required to be approved for entry into Christmas Island via an import permit which is lodged with administration and approved by the delegate of the minister. That import permit is then sent to the appropriate wholesaler of the pharmaceuticals. In this case that is in Perth. The wholesaler then applies for an export permit with the TGA to export that ordered narcotic medication to Christmas Island. This is where the delay is occurring—in getting the approval of that export permit by TGA.

CHAIRMAN—The acronym TGA stands for?

Mr Baldock—Therapeutic Goods Administration.

CHAIRMAN—Thank you.

Mr SNOWDON—The administrator or his delegate gives the approval?

Mr Baldock—The administrator gives the approval, yes.

Mr SNOWDON—Then you have to get a second approval from the Therapeutic Goods Administration in Canberra.

Mr Baldock—The administrator is approving the entry of that narcotic medication into Christmas Island.

Mr SNOWDON—And the Therapeutic Goods Administration allow you to import it.

Mr Baldock—The Therapeutic Goods Administration approves the export of that medication from Western Australia in this case. Given the nature of this medication, in my case the delays that are causing me the greatest concern are the ones associated with medication needed for acute or emergency treatment.

CHAIRMAN—Can you give the committee some idea of the length of those delays?

Mr Baldock—Yes. I have two examples showing the inconsistency of the Therapeutic Goods Administration with their approval process and the time lines. Import permit 2314 was issued by administration on the 24th of the 12th, Christmas Eve, 2002—thankfully administration was open that day, which I really appreciated because a similar situation did not occur in Canberra. The export permit approved by the TGA was on 8 January 2003. That is a 15-day delay. The reason given was that the TGA was on their Christmas break. Unfortunately this caused undue suffering to the patient who, as you can understand, did not appreciate that there was a Christmas break as far as his pain management was concerned.

Another example is import permit 0312 issued on 2 December 2002 which was followed by an export permit issued on the 9th of the 12th, a delay of seven days. It is not as much as 15 days, but it is further exacerbated by the limited number of flights to Christmas Island. If that seven-day approval then misses the cut-off for a flight to Christmas Island, it can further extend the delay up to another week. Compare that to permit 2711, for example, issued on 27 November and the export was approved on 28 November—one day. I find it very difficult to accept the inconsistencies of the TGA given the urgent nature of this medication. That ends my submission.

CHAIRMAN—Thank you. Before I go to questions from the committee, what comes under the category of legal narcotics, apart from morphine based pharmaceuticals? Are there any others?

Mr Baldock—It really depends on what the International Narcotics Control Board considers comes under their auspices. I can get a list of that medication, but I do not have it here today. As far as Christmas Island is concerned, the medication that I deal with is medication under the poisons regulation—that is the Pharmacy Act 1964 WA(CI)—which is schedule 8 medication. It is usually morphine, pethidine, opiate-based analgesics.

Senator CROSSIN—Could you give us an idea of what sort of quantities you are talking about here and how often you would seek the import of these goods?

Mr Baldock—Senator Crossin, that is where the problem is. I cannot predict the usage of acute medication. The nature of the word ‘acute’ means it is unpredictable. It is here and now. I do keep stocks of narcotic analgesics in preparation for an emergency event but, given the nature of pain treatment in certain patients, it can change rapidly and the type of medication can change rapidly. I cannot predict what is going to be used.

Senator CROSSIN—If there was a major car accident on the island, for example, you have enough in stock to deal with it?

Mr Baldock—I have enough of that because it is a generic situation. Usually pethidine, 50 to 100 milligrams, is used in that situation for acute care and that is part of the Imprest system at the hospital. Where this process obstructs patient care is other unusual situations that involve narcotic medication, of which there are a number.

CHAIRMAN—What amount of morphine or other narcotic based pharmaceuticals are held at the hospital for trauma? They obviously hold something for trauma there, do they not?

Mr Baldock—They do. They hold enough to deal with trauma and surgery.

CHAIRMAN—Do you have access to those in the case of an emergency?

Mr Baldock—I do. That type of medication is generically used in an accident, for example. I am talking about medication for specific treatment of a specific patient, given that their medication needs may change overnight. For example, if I have a chronic cancer patient who suddenly is reassessed and requires an increase in their morphine dosage and I need to get a certain type of morphine in tomorrow, this process stops me from doing that because of the delays I am experiencing with the TGA.

We have tried to get around it with the TGA by putting in import permits with ‘urgent supply necessary’ but the TGA—as my examples show—can take 24 hours to approve, which is fantastic, but it is their inconsistency, like 15 days over the Christmas break, which is unacceptable. It would not happen anywhere else in Australia.

Senator CROSSIN—Mr Baldock, let me ask you about that. What does happen in other places?

Mr Baldock—Other places have access by road within their state to pharmaceutical wholesalers.

Senator CROSSIN—They just go straight to the wholesalers. They do not need to fill out the import or export paperwork.

Mr Baldock—They do not, no. Christmas Island, as far as supplying narcotics, is deemed as external territory of Australia, crosses international waters, so it requires an import, export approval.

Senator CROSSIN—Are you based at the hospital or at the pharmacy?

Mr Baldock—I am based in the community but I do work with the hospital.

Mr SNOWDON—I think you have explained it pretty well, Mark. If you are operating in Western Australia under these circumstances, you go straight to a wholesaler. If you are in Kalgoorlie, you would ring up the Perth wholesaler and he would have the stuff on the plane the next morning or whenever.

Mr Baldock—Yes, within 12 hours, or 24 hours at the most, I would imagine.

Mr SNOWDON—Can I suggest, Mr Chairman, that we seek a briefing from the Therapeutic Goods Administration in Canberra raising this particular issue and trying to find a way to fix it?

CHAIRMAN—Good suggestion, yes.

Senator SCULLION—Just assume, Mark, that this issue you are speaking about goes away—and I very much appreciate that the issues you have outlined are not only unacceptable but I can assure you something will be done about it. You are right in that Christmas Island is unique in the fact that it is the only place required to do this process, which is why it does not happen on the mainland. It is obviously because of the plane flights. Is there any restriction, in terms of the nature of the pharmaceuticals, on the amount you can store on island? Would there be a benefit in saying that because of the peculiar nature and—

Mr Baldock—There is no obstruction to me keeping as many narcotics as I like. I have to predict my narcotic usage via the TGA to the narcotics board of the United Nations. That is fine, but I cannot keep every narcotic for every potential situation that exists.

Senator SCULLION—Is there also an issue associated with the expiry times of goods, where you do not want to keep lots of them?

Mr Baldock—Certainly, yes.

Senator SCULLION—That is another issue.

Mr Baldock—Yes.

CHAIRMAN—I would like to thank you on behalf of the committee for your appearance here today, Mr Baldock. If there are any matters on which we might need additional information the secretary will write to you. You will be sent a copy of the transcript of your evidence to

which you can make editorial corrections. The Hansard reporter may wish to clarify some details with you before you leave.

Mr Baldock—Thank you.

[2.05 p.m.]

BENNETT, Mr Mark, Environmental Manager, Christmas Island Phosphates

CHEONG, Mr Choon Foo , Resident Manager/Director, Phosphate Resources Ltd

GILLESPIE, Mr Danny Ambrose, Consultant, Phosphate Resources Limited

CHAIRMAN—Welcome, gentlemen, on behalf of the committee. Do you have any comments to make on the capacity in which you appear?

Mr Cheong—I am the resident manager for Phosphate Resources Ltd and I am also a director of the company.

Mr Gillespie—I am employed by the company as a consultant on environmental issues.

Mr Bennett—I am the environmental manager of Christmas Island Phosphates.

CHAIRMAN—Thank you. These hearings are legal proceedings of parliament and warrant the same respect as proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as contempt of parliament. The committee has received a submission from Christmas Island Phosphates. This document needs to be processed in relation to this inquiry.

Resolved (on motion by **Senator Crossin**):

That submission No. 24 from Christmas Island Phosphates dated 3 February 2003 be received as evidence to the review of annual reports of the Department of Transport and Regional Services and Environment and Heritage 2001-02 and authorised for publication.

Are there any corrections or amendments you would wish to make to your submission? I assume you are the spokesman, Mr Cheong?

Mr Cheong—I will represent the company.

CHAIRMAN—Do you have any corrections or amendments you would like to make?

Mr Cheong—Firstly, one thing not included in the written submission is our current attempt to gain access into phosphate stockpiles in the national park.

CHAIRMAN—Yes, I will come to that, unless you have a submission with respect to that. Is that an amendment to your submission? Is that what you are saying, or do you want to give some oral evidence of that?

Mr Cheong—Give some oral evidence.

CHAIRMAN—The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee you may request that the hearings be held in camera and the committee will consider your particular request. Before we ask some questions, do you wish to make an opening statement? Please proceed.

Mr Cheong—What I intend to do is present to the committee a general outline of what Christmas Island Phosphates represent and where we are heading in terms of gaining access into more phosphate resources on the island, the details of which will be given by Mr Gillespie and Mr Bennett. I will start by giving a general outline of the company.

The company mines and exports phosphate from the island. Currently we export 500,000 tonnes to 600,000 tonnes of products. Most of this phosphate is exported to South-East Asian countries, in particular Malaysia, Indonesia and Thailand, and some to the Philippines. We also export some phosphates to mainland Australia and some to New Zealand. The company was formed back in 1991 following the cessation of operations by the previous mining company, PMCI. They ceased mining operations in 1987-88.

Christmas Island Phosphate was formed by a consortium between the Union of Christmas Island Workers—the UCIW—and Clough Enterprises. Initially the company had a 10-year mining lease commencing from 1991. In 1998 the company decided to extend the mining lease for another 21 years. Currently our company employs about 130 people, the majority of whom are shareholders in the company. Being shareholders in the company, they are also Christmas Islanders—or most of them are Christmas Islanders. They live here; some of them are second- or third-generation Christmas Islanders.

In addition to that, many small businesses depend on our operations. In the last 12 years the company has exported phosphate to the tune of \$360 million. Part of that obviously goes to the government in taxes, royalties, levies et cetera. That has totalled \$45 million in our time as a company. A large part of our export dollars goes back to the Commonwealth.

The current resources in our existing mine leases would allow us to mine for another five or six years—because, being a mining operation, the resource is finite; phosphate is a finite resource. As a result of that, the company decided to apply for an exploration licence back in the year 2000. The exploration licence covered the eastern part of the island on vacant crown land. The following year, in 2001, the company also decided to put in an application for mining discrete sites on crown land as mining leases. As part of the process for that application we are required to submit an EIS before the Commonwealth can approve our application. At this point in time, we are in the midst of doing our EIS, the details of which I will leave for Mr Gillespie to talk about.

As I have indicated previously, running hand in hand with this EIS work, we have also discussed with people in the Commonwealth, including Environment Australia, how to gain access to the national park to access stockpiles. These stockpiles were put into the national park prior to it being declared. They were left there by the previous mining companies; subsequently, when these national park boundaries were declared, the stockpiles were within the national park. These are some of the other avenues we are pursuing in order to increase our resources and, as a result of that, increase the mine life. I will leave the details of the discussion to Mr Gillespie.

CHAIRMAN—Thank you, Mr Cheong. Do you wish to make a statement, Mr Gillespie?

Mr Gillespie—I will speak briefly, Mr Chairman. Our submission has three areas, but the application for the leases is the one that is occupying and exercising the minds of the company and its consultants most at the moment. We are currently in the midst of quite a lot of the research programs that are required to be carried out.

I have put a map up which I hope is of some benefit to the committee. It is a larger version of the one that was in our submission. The green is national park, the light blue is the company's existing leases and the red is the areas for which lease applications have been made.

Senator HOGG—Are any of those old areas?

Mr Gillespie—Old mining areas?

Senator HOGG—Yes.

Mr Gillespie—No, they are not previously mined, but they have all been previously gridded by dozer and drilled by the former Commonwealth operations. The company is taking this process very seriously. The company will spend well over \$1 million on this research exercise and the preparation of the environmental impact statement, and there is no guarantee of success. At the end of the day, it comes down to the assessment of the information that is recovered and the minister's decision. But the company has made that commitment.

The second part of our submission dealt with some land management and planning issues. To some extent, that has been overtaken by events. The Department of Transport and Regional Services and the shire are currently sponsoring a planning process which looks to pull together all of the land and planning information island-wide, as well as reviewing the shire's current town plan, and the mine is having input into that process. The issues that we raised in the submission, we think, still are serious issues. There are opportunities to perhaps reallocate land uses, to benefit all of the land users on the island.

The third part of our submission dealt with feral animals, although not exclusively. We felt that it was useful to bring to the attention of the committee some of the material that the company scientists have discovered in their fauna work, which was carried out for the EIS last year over a prolonged period of trapping, particularly the work on the impact of feral cats on native species here.

Finally, Mr Cheong raised the issue of stockpiles. The company has been talking to Parks Australia about these stockpiles. There are some within the national park and there are some that straddle the park boundaries. It is not possible under the legislation to carry out mining activity in the park without the approval of the Governor-General, but it is contemplated in the plan of management that some of these stockpiles may be removed if there is a benefit for park management. It has to be seen in that context. The removal of some of them may gain the company some resource that it can process. It may also gain some benefits for the national park in terms of their rehabilitation program.

Minister Kemp has written to the company asking that these discussions continue in the context of the plan of management. We will be pressing on with preparing a work program and

seeking a permit from the parks service to carry out the initial low-impact hand sampling of these stockpiles to see what is there, map them and then have some discussions if there are any that are targeted that can either be used by the company or perhaps be moved to assist the park's rehabilitation program.

Mr SNOWDON—What sort of quantities are we talking about in the stockpiles within the park boundary?

Mr Cheong—That is the dilemma we find ourselves in now. We know where the stockpiles are but, because there are no details in terms of the quality or the tonnage, we cannot estimate it unless we go in, sample, and analyse the samples et cetera. Until we can do that, we really have no idea as to what the tonnages are.

Mr SNOWDON—You are currently undertaking a consultation process with members of the community about a proposal to get the nine new leases, as I understand it.

Mr Gillespie—That is correct. One of my roles in this EIS process is to carry out consultation with the community, and there is a bit of a consultant led recovery going on here at the moment. There have been a lot of consultants here this week, and Mark Bennett, Mr Cheong and I have had many meetings with community groups. In addition, another of the company's consultants, Ms Vanessa Harvey from SGS Economics and Planning, is meeting with all the businesses in the community to try to gain an understanding of the interrelationship of small business in the town with the activities of the mine, as well as intensive discussions with the mine employees to gain an understanding of how they spend their money in the town. What her work will produce, apart from an understanding of those complexities, is an input-output model of the economy. There is intense community discussion going on.

Mr SNOWDON—What sort of reaction have you had so far to the proposition that you seek the right to mine on these additional bits of crown land?

Mr Gillespie—I would have to say that it is overwhelmingly positive. Most people are saying, 'If there is no mining in town, what is there?' There are other projects in the wind, and there have been some changes in those recently. People who are making investment decisions are nervous, I think. Employees, both in the mine and in small businesses outside the mine, are concerned about their future.

The majority of people see that mining has to come to an end and see tourism and other innovative economic activity as the future of the island, but that needs time to develop. The majority of people see the mine's activity as the kind of base lode of the economy that keeps the economy ticking over while you have the chance to develop these other industries. What people are most fearful of is what happened in 1987, when the Commonwealth slammed the door shut and literally dropped the community, and economic development crashed.

Mr SNOWDON—In that case, what do you foresee as the major impediments or obstructions that might cause you not to be able to mine? Leaving aside the minister's ultimate right to make a decision, what other impediments are there in the process which could cause you not to be successful?

Mr Gillespie—The process is relatively straightforward. There are time lines in the environmental impact assessment process, though the minister can stop the clock at any stage and ask for more information. Our experience is that the Commonwealth authorities put these sorts of development applications on Christmas Island through a very intensive grilling and go over the process in minute detail. We understand that that needs to happen, and that the natural environment here is very fragile.

What we are trying to do to avoid those blockages is to pass the outlines of the studies to Environment Australia before we start and say, ‘This is the way we are going to attack the hydrology issue or the soils issue. What do you think about the framework for the study?’ and get some feedback. They usually come back to Parks Australia and their other aligned agencies, but we anticipate that there will be a lot of argy-bargy before the document is released for public comment. Where the company’s researchers pick up high-value situations—for example, booby birds or something—we know that is out of the question. It cannot happen. You cannot have mining there.

I suppose the company’s concern might be that it is given higher and higher hurdles to jump. In a sense, what we will be arguing is that there are going to be environmental impacts, but we believe that we can put back functional habitat in those places. We have hired what we think are the best brains in the country, including CSIRO’s rainforest people. The environmental issues have to be considered, but there are two issues to consider on Christmas Island. There is a fragile environment and there is also a fragile social and religious culture that is very much part of the reason why this place is so special. If you turn off mining and cause an economic crash, that is in as much danger as the environment.

Senator SCULLION—Could I confirm that your deliberations, in terms of the nine-year leases, are being conducted under the Environment Protection and Biodiversity Conservation Act?

Mr Gillespie—Yes, the EPBC Act, Senator.

Senator SCULLION—As I understand the act, there are going to be issues not only about the environment, particularly of the icon species like Abbott’s booby, but also about other potential impacts. I understand the flight path of the Abbott’s booby is pretty important. It has to have an unrestricted flight path because of the nature of its wing span, and it uses the higher canopy. Because of the nature of those issues, we are not talking about an area of trees or cliff fronts, the normal stuff we would be facing in terms of protecting icon species and their associated habitat; we are talking about flight paths. We are talking about where they come in, this sort of thing. In view of that, do you still have a reasonably high level of confidence that these mine leases will be approved?

Mr Gillespie—Where the ecologists pick up boobies—either in these leases or if these leases are near booby habitat—the critical problem is, as I understand it, that where there have been cleared areas there is a wind shear effect on that nesting habitat. If we do pick up booby nesting sites, we will simply stay away at whatever the experts agree is the appropriate distance. There is no way in the world you can clear up to where they are. The idea is to locate these things now and design any mining activity to fit in.

Mr Bennett—Mr Chairman, studies conducted in the early nineties did conclude that an arbitrary distance of 300 metres would be sufficient to negate any offset of significant wind shear effects on nesting habitat. That figure has not been reviewed or changed since that time, so we expect such a figure would be used in this EIS.

Senator SCULLION—In terms of rehabilitation, in the brief time I have been here they have explained the mining process. There is material between the pillars that varies in grades, but effectively what you are left with is all the pillars with the material removed. Have you done any work on those areas that have been rehabilitated and compared them with some of the biospheres you are intending to protect? Have you found that biodiversity values have been replicated in the new areas? Have you had long enough to do that?

Mr Bennett—Christmas Island has two rehabilitation strategies going on at the moment. One of those is conducted by Parks Australia and is known as the CIRRP program. That has been going on for the last decade. In 2000 Christmas Island Phosphates undertook to look at alternative methods and techniques for rehabilitation. We foresaw the problem of a resource restriction in terms of topsoil. We undertook to see how we could rehabilitate in pinnacle areas. That is in its second year and we have experienced quite significant growth and very good results. We have had that program audited by CSIRO, and their report should be available to us. Hopefully, we can make that available to you within the next three months.

We hope to continue to audit the program every two years, but at this initial stage it is still very much an experimental program. That said, Parks Australia is also in a new phase of their rehabilitation program. They engaged the Centre for Mined Land Rehabilitation from the University of Queensland to come over and develop a rehabilitation strategy for old mine lease areas. That program has been active since 2000 as well. Those two programs are running in conjunction with one another and we hope the information gained from them will enable further rehabilitation of Christmas Island in terms of dealing with the restriction of resources.

Senator SCULLION—I was interested in what argument you are going to have to propose if you decide to take these stockpiles out. I recognise it is a pretty low impact at the first stage of doing some sampling, but if you decided to move them what sort of argument would you use to say that moving a stockpile in a national park would have a benefit to the national park, in view of the time it has been there and, secondly, the time in which growth and rehabilitation have already taken place?

Mr Gillespie—That is a decision that Parks are going to have to make. The decision is in their hands essentially. We imagine some of the benefits they could see are having a stockpile moved into other rehabilitation areas, having a stockpile for other works they are doing—something of that nature.

Mr Bennett—Also weed management. Some of these stockpiles do have weeds growing on them, or what are considered weeds on Christmas Island—a lot of *Leucaena* and the like. But, getting back to the issue of resource allocation, the amount of tonnes in stockpiles is quite significant. There are overbedding piles within the park or straddling the park boundary, so there would be quite significant improvements made to further the rehabilitation work the CIRRP program is undertaking.

Senator HOGG—Is it likely that you will seek to reopen areas that have been previously mined but that were poorly mined because of the techniques available at the time?

Mr Cheong—Our current leases would contain most of those areas, in particular the mining leases towards the southern end of the island. That is exactly what we are doing now. We are carrying out very difficult mining. That is basically because we have to look for the phosphate between pinnacles. Those resources are very rich in quality, and that is the reason we are mining them. Every tonne of that phosphate can be planted with another two tonnes of lower quality material and blended to give us the export quality required. We do not believe there are any such resources on the island outside our existing mining leases.

Senator HOGG—In those areas that have been mined, which you might reopen, there was previously not a requirement to remediate or rehabilitate. I presume now you would have to rehabilitate or remediate those areas.

Mr Cheong—Under the lease agreements, we pay a levy for rehabilitation. We have been paying a levy ever since the mine started. The total amount of levy we have paid in the 10 years we have operated amounts to something like \$7 million. The purpose of the levy is for Parks Australia to rehabilitate previously mined areas.

Mr SNOWDON—As a point of clarification, perhaps you could tell us the difference between current mining techniques and the previous mining techniques. I assume that, when you are clearing mining areas at the moment, you do not leave pinnacles. If you have an old stockpile somewhere—

Mr Bennett—Old stockpile bases will be left flat and then they can be ripped and graded appropriately for rehabilitation. Basically, the mining operation is a scavenger mining operation, so all the areas have been previously mined in some capacity by the BPC, PMCI or the previous company. Most in situ mining and secondary mining operations do leave pinnacles behind.

CHAIRMAN—How does a stockpile physically manifest itself?

Mr Cheong—It is like a big pile, a windrow.

CHAIRMAN—What you propose to do is take it out, back to ground level. Is that right?

Mr Cheong—That is right.

CHAIRMAN—It is a peak.

Mr Cheong—It is like a little hill.

CHAIRMAN—It is roughly conical shape?

Mr Cheong—It is elongated.

Mr Bennett—In the past the mining operations did not really consider the viability of mining C-grade or even B-grade material. They would scrape off the top five metres of soil into one corner of the mining block, and that would be the stockpile material, the overbedding pile.

CHAIRMAN—In effect, you would be taking that back to ground level or below ground level, putting back topsoil, regenerating it as nearly as possible to what the original rainforest was.

Mr Bennett—That is right. These stockpiles are generally laid on top of material. They do not usually mine an area and then push a stockpile into that. If it was mined down to ground level, it would still be above the pinnacle level.

Senator CROSSIN—In relation to the current state of negotiations on your existing mine leases, where the processing centre is being built, what is happening there in your discussions with the Commonwealth?

Mr Cheong—When part of the lease was taken back by the Commonwealth, included in the mining lease agreement was the statement that the Commonwealth would compensate for whatever amount we have lost in the particular block of land. At this stage, that is where we are at. It is at the arbitrator's level, and the company and the Commonwealth are negotiating through the arbitrator.

Senator CROSSIN—Were there Abbott's boobies nesting around those two mining leases on the north-west point?

Mr Cheong—It is heavily nested by Abbott's boobies in the forests surrounding those areas.

Senator CROSSIN—But there was no requirement to comply with the environmental act in the building of the processing centre, was there?

Mr Cheong—I cannot answer that question.

Senator CROSSIN—Yet you are subject to intense scrutiny over your proposed leases.

Mr Cheong—Yes.

Senator CROSSIN—I thought I would point that inconsistency out for the record. Your submission is one of the very few submissions that raises the issue of feral cats. Is that causing your operations, or the island in general, significant problems?

Mr Gillespie—We thought it would be useful to bring that information to the committee's attention, but Mark is a local citizen and knows the jungle very well.

Mr Bennett—The feral cat issue has been around for quite a while, and has been put on the backburner over the last five years or so with the emergence of the crazy ant problem and its influence on the red crab population here.

Mr Gillespie—It's a pity the ants don't eat cats!

Mr Bennett—Maybe they do, but not well enough! The problem with the feral cat issue is that it is exacerbated by other introduced species, such as the Nankeen kestrel and the wolf snake. The fauna of Christmas Island is such that you have a lot of endemic skinks, insects and creatures that are of a size quite compatible with the make-up of these predators.

The studies we conducted six months ago concluded that there has been a rapid decline in many endemic and local species of reptile. This decline has manifested itself in cat scat analysis as well, with material analysed in Darwin showing that cats are consuming quite a large amount of these endemic and local animals. It is quite concerning that this problem has been put on the backburner. As a corporate citizen, we see that the company has a role in identifying this issue and trying to pursue it in one way or another.

Senator CROSSIN—It is an issue to raise with Parks or Environment Australia.

Mr Bennett—It is also an issue where the island has to cooperate and work together on, because there is a problem with feral cats emanating from the residential areas as well. It is more of a broad-scale kind of cooperation that we are looking for, between the shire, major industry and Environment Australia.

Mr SNOWDON—I thought you were not supposed to bring cats onto the island.

Mr Bennett—You are not allowed to, but there is a problem with inoculation and desexing cats, so they breed quite rapidly. The indications that we have are that there is probably a self-sustaining population out in the park area at the moment.

Senator CROSSIN—What is the current life of the phosphate on the island for the mine?

Mr Cheong—We estimate it to be around five years or so with our existing mining leases.

Senator CROSSIN—You are relying on the additional nine leases that you have sought to extend the life beyond five years. Is that correct?

Mr Cheong—Yes.

Mr Bennett—It is a critical phase in the development of Christmas Island. Five years is not enough time for a rational transition and diversification of industry and development on Christmas Island, and that five years may well be three years or two years. The company may find itself in a situation without a future. It may look at expanding its mining operations and maximising the exports within a short time frame. The social, cultural and economic background of the island could be smashed within two to three years, so it is quite an imminent future that we have to look at.

Senator SCULLION—Senator Crossin went to the issue of the processing facility that was being built. Do you know if the clearing went to within 300 metres of an existing booby habitat?

Mr Bennett—I cannot say that for sure. I have not walked the boundaries of the IRPC development. I know that the clearing occurred on previously cleared areas; that is all I would be able to say.

Senator SCULLION—The area was previously cleared in any event. It was just clearing regrowth. Is that what you are telling us?

Mr Bennett—That is right, and a substantial amount of that area was previously mined.

Senator SCULLION—I notice you say that the cenchroides kestrel is not endemic here.

Mr Bennett—The indications are that they first arrived here 50 years ago, so they have had a rapid expansion in population. You can see, particularly in the residential areas, one every 200 metres.

Senator SCULLION—How did they come to be here?

Mr Bennett—Most likely they were a vagrant species.

CHAIRMAN—Please give the committee a synopsis explanation of what the situation is with respect to yellow crazy ants currently and the control and eradication, hopefully, of feral cats. The unique—and perhaps only—mammal on Christmas Island is the bat. Please explain the two control methods with respect to the former and, in relation to the latter, its current health.

Mr Bennett—I have not been involved in the eradication program itself. That was a management program undertaken by Parks Australia. The initial indications and feedback are that the eradication program has been quite successful, with well over 90 per cent eradication. That is going to be followed up shortly with a secondary baiting program, which would look at knocking out all supercolonies of the yellow crazy ant. It is when the ant gets into the supercolony that it is most lethal. The indications are that management of the yellow crazy ant is under control and, hopefully, will remain so in years to come.

CHAIRMAN—What is the machinery being currently used to eradicate the feral cat?

Mr SNOWDON—22s.

Mr Bennett—Yes, 22s and normal cat traps.

CHAIRMAN—You are literally using 22s to eradicate the cats?

Mr Bennett—They have been used in the past. At the moment, the mine has undertaken a very small component of trapping them on mine leases. I am unaware as to whether Parks have ceased their cat trapping or culling exercises or are continuing with that. I know the shire also has a program of desexing and trapping cats without collars in the residential areas.

CHAIRMAN—I am aware there were several thousand cats on Macquarie Island, and the 22 was highly successful.

Mr Bennett—That is right.

CHAIRMAN—What about the unique Christmas Island bat?

Mr Bennett—There are two bats on Christmas Island, the insectivorous pipistrelle bat and the fruit bat. Both bats seem to be in decline, for one reason or another.

CHAIRMAN—Does mining contribute to that?

Mr Bennett—It is inconclusive to say, but I think the present indications are that it is not related to mining. The pipistrelle bat has been restricted significantly over the last five to eight years, to the western area of the island.

CHAIRMAN—One is arboreal and one is cave dwelling. Is that correct?

Mr Bennett—The fruit bat is arboreal and the pipistrelle bat can nest in a number of different environments. It is unclear what is causing their restriction to the west and the population decline in the pipistrelle bat. Some thought has been given to the expansion of wolf snakes, feral cats, rats and these kinds of predators.

The decline in the fruit bat population occurred in 1988 after a severe storm swept past the island. There are thoughts that this decline was caused by the fact that the cyclone or storm passed by the island at two o'clock in the morning, a time when the bats are highly active and mobile. The theory is that they were swept offshore and, when daylight came, were not able to smell or see the island, and hence just flapped until they could not flap any more and dropped into the ocean. The population of this bat has seemed to stabilise and perhaps is increasing slightly, so there are indications that it is on the road to recovery.

CHAIRMAN—On behalf of the committee, I thank you for your appearance before the committee today. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you can make editorial corrections. The Hansard reporter may wish to clarify some details with you before you leave.

Proceedings suspended from 2.48 p.m. to 3.02 p.m.

COLQUHOUN, Mrs Julie Michelle, Chair, Christmas Island Youth Coordination Group

SORRENSON, Mrs Elizabeth Rose, Secretary, Christmas Island Youth Coordination Group

ACTING CHAIR (Senator Crossin)—Mrs Sorrenson, Secretary of the Christmas Island Youth Coordination Group, has provided the committee with submission No. 13. These hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as contempt of parliament. Are there any corrections or amendments that you wish to make to your submission?

Mrs Sorrenson—This is the original letter. I think I was in doubt as to when the club was incorporated, and it was in 1996.

ACTING CHAIR—The committee prefers that evidence is taken in public. However, if at any time you wish your evidence to be given in camera you may request that. Is it your wish to give confidential evidence to this committee? You had indicated you were quite happy to give your evidence in public. Is that correct?

Mrs Sorrenson—It is fine to have it in public.

ACTING CHAIR—Do you wish to start with an opening statement?

Mrs Sorrenson—Yes, I do, thank you. I would like to thank the Joint Committee on the National Capital and External Territories for inviting me to the hearing. On 12 September 2002 I sent a letter requesting support of the youth group known as Club Hi, which is operated by the Christmas Island Youth Coordination Group.

The Christmas Island Youth Coordination Group was incorporated in 1996. It is the only incorporated youth group on the island, and has a committee of 50 per cent youth. The club offers a venue where young people from all cultures represented on the island can socialise and play games in a supervised environment and alleviate some of the petty crime, nuisance activities and youth depression. To help us in this endeavour, we need to have activities made available to young people at either no cost or minimal cost, as they are school-aged teenagers and have no income of their own.

Since writing to you, I have been busy. I have had an ethos endorsed, and drafted documents for a three-year strategic plan. Support from the community has continued, with two grants being written by and for the neighbourhood centre that focus on youth and the willingness of people to dedicate their time to ensuring that teenagers have access to the basic facilities we have.

There was a CIVID grant for the neighbourhood centre. I worked on the CIVID steering committee and, while their initial two-week program ran, I worked every day, including weekends. This was a commitment that meant I was working 14 hours a day seven days a week.

From this, the neighbourhood centre donated \$1,000 to the club and \$300 was raised on the night.

A second grant was written by the neighbourhood centre to the Gordon Reid Foundation for the provision of storage for CIVID equipment, which is not stored at Club Hi. I believe the grant was announced last Thursday, and I received a copy of it on Friday, 7 March. In essence, this grant is to provide storage in the club for neighbourhood centre equipment. We would be paying rent on an area to which we do not necessarily have access. Furthermore, the improvements to the building would become the property of the Commonwealth.

This grant is also to pay for a neighbourhood centre coordinator, in conjunction with the springboard grant and project known as CIVID. This project relies on our support, not our facilitating of the project. The only opportunity to set direction is in the planning stage. The neighbourhood centre staff and board direct all other events. They are not Christmas Island Youth Coordination Group grants and we have no say in how these grants are spent, although I trust that some assistance from this coordinator will be made available to the Youth Coordination Group. The burden on Julie Colquhoun still remains extremely high and the assistance is only temporary.

These grants demonstrate community interest in supporting youth on Christmas Island and we have given support to these grants because they support youth. The equipment from these grants does not become the property of the Youth Coordination Group to use as we see fit. The Youth Coordination Group does not have the means to support itself. Grant applications put in by other bodies are not necessarily something that youth are interested in, and rarely is a process of consultation observed.

Based on requests from teenagers, I have applied for a grant that will provide young people with the opportunity to learn how to play music, create their own music and work in musical groups. As yet, we have not heard how that has progressed. We have demonstrated our concern for young people on the island through our willingness to get involved, raise issues of concern and try and arrange funding, yet the club is as it was when I wrote to you, essentially relying on two mothers in order to survive. There is every reason to believe that I, for one, will not be able to continue this massive commitment to the community.

Finding where youth fit into the social commitment of funding bodies has been difficult for me. Tracking and getting assistance with grants and fundraising would appear to be outside my area of expertise, as demonstrated through the many emails I have sent to a variety of government bodies and island businesses to establish where we go. Most people have responded by offering advice on what I can do and programs that I can run, but they rarely have suggestions on what they can do. It still remains elusive and we are no further in front.

Writing of grants is more commitment than I have hours in the day. Finding an auspice body that has the time to write grants on behalf of the Christmas Island Youth Coordination Group, to be managed by us, would also appear to be outside my ability. We do not have the provision to employ staff or deal with the taxation issues that then creates.

Teenage boys require extended facilities, rather than sitting in the parks or walking around in groups at night. Teenage girls require equipment that caters for their needs, as they are too often lost for entertainment and feel obliged to stay at home without a structured facility to go to.

Teenagers have only this one venue that is dedicated to them. Parents have jobs. They have families to care for. None of us have wanted to forfeit what little free time we have to run a business, to support rent to the government, power supply and so forth, yet since I wrote to you that is essentially what has occurred. Caring for teenagers is a community issue and it needs to be addressed as such. Leaving the welfare of youth in the hands of two mothers is a burden we just cannot bear.

The grants which have been written assist in the facilitation of only one of our original concerns; they raise many more and will create more work for me and Julie. Our immediate concerns are—as they were when I wrote to you—payment of rent for 2003, payment and securing of public liability insurance, payment of electricity accounts, water rates and cleaning of common areas. These are ongoing requirements. Should it be that it works as it should, we require a professional service that is less reliant on the enthusiasm of a few people; a professional service that does not rely on the knowledge and availability of a few people; a professional service that does not rely on both Julie and I remaining on the island; a paid coordinator able to direct teenagers for activities and organise outdoor activities and one-off events away from the venue; replacement of furniture that was retrieved from the rubbish tip; storage cupboards and other general furnishings; and replacement of donated equipment and computers that have long outlived their use-by date.

We have soldiered on for years. We have poured our own money and time into what must be considered an unheard minority of our community that does not have the power of self-representation. We are all aware that, when those with the power to make a difference do not listen to disempowered people such as teenagers, they will find their own way to be heard, and society rarely approves of the methods that they employ. We would be most appreciative of consideration of the needs of youth.

CHAIRMAN—Thank you, Mrs Sorrenson.

Senator CROSSIN—Mrs Sorrenson, when I raised this matter in estimates in May of last year, the impression I had from DOTARS was that if you put a case in writing for any waiver of rent, or any consideration of rent to be set aside, that would lead to some measure of compassion. I am assuming you wrote and that request was disregarded. Is that right?

Mrs Sorrenson—No, that is not true. We wrote to DOTARS, we sat down with DOTARS and they worked out a plan with us so that the rent was decreased. DOTARS people were compassionate and considerate of our needs. However, at the end of the day the government needs to be accountable and show that buildings are being used effectively and rent is obtained. I feel they have done what they could within the rules.

Senator CROSSIN—What was the amount that was originally requested for rent?

Mrs Sorrenson—Originally it was about \$1,800 a year on that room. They have set it at \$900 for this year and then it will gradually increase, with the hope that we will have funding available. They gave us room to move as to when we could pay the rent and so forth. There was a level of compassion, but we do not have the income to meet—

Senator CROSSIN—You are currently expected to find \$900 this year?

Mrs Sorrenson—Yes.

Senator CROSSIN—Is there no specification about whether that is monthly or six-monthly? There is a bit of room to move in?

Mrs Sorrenson—I think they appreciated our dilemma and were trying to give us the room to move.

Senator CROSSIN—Where would you find that money?

Mrs Sorrenson—I beg your pardon, it is due on 1 April.

Senator CROSSIN—Where would you find that money? Are you going to have to fundraise or provide a membership fee?

Mrs Sorrenson—The money we obtained after working so hard on CIVID, which came as a donation, will probably be used for that, which will mean there will be no money for—

Senator CROSSIN—So instead of putting this money into equipment for the youth, it is being used to pay the Commonwealth rent.

Mrs Sorrenson—That is exactly right.

Senator CROSSIN—A lot of councils around Australia have a youth coordinator, or someone as part of their portfolio perhaps has youth issues. The shire council has never looked at perhaps either employing someone or giving one of their existing employees a youth portfolio?

Mrs Sorrenson—The shire, from what I understand, has a youth coordinator who wears probably half a dozen or so other hats. From what I understand, that person is already overtaxed. We have approached the shire for a building we could use that would be rent free. They do not have a building available. They have said they would give us one if they had one but they do not have one. If we were able to get even a transportable, they would happily have it on their land for us to use. However, we have not been able to find a transportable either.

Senator CROSSIN—There are a couple of hundred sitting up the top of the hill, I noticed yesterday when I was travelling around.

Mrs Sorrenson—You noticed that too!

Senator CROSSIN—Are we talking about kids over the age of, say, 12 and under 18?

Mrs Sorrenson—Yes.

Senator CROSSIN—How many are we looking at on the island?

Mrs Sorrenson—On the island there would be a couple of hundred in that category. They are high school people who are old enough to want to hang out with their friends but certainly

would not qualify to go to a pub or a pool hall or anything of that nature. They do not really fit into that next segment of society. The club is struggling at this point in time. There is not a lot there for kids to go for. There would be a core group of possibly 15 at the moment who will come virtually every week in the hope that there will be something to do. Most of the time they are sitting around chatting or whatever.

Senator CROSSIN—Did DOTARS point you to any other sort of funding through, say, Family and Community Services or in any other portfolio areas?

Mrs Sorrenson—When we met with DOTARS on the island, that really was not the main focus. The main focus was trying to establish that we could stay there and what rent would be paid. I emailed quite a few other groups of people. I have copies of the emails.

Senator CROSSIN—That is okay. I do not think we need the list of groups.

Mrs Sorrenson—Good.

Senator CROSSIN—I am sure you have exhausted the list. If money was available, do you think it needs a full-time person to coordinate the activities of the club and the youth, or part-time to start with? What is the ideal number of hours you would be looking at?

Mrs Sorrenson—That would really be difficult for me to nail down. Based on the amount of time I am putting in at the moment, I would say we would certainly need to start off with somebody full-time, just to establish what needs to be done thoroughly; not based just on what I have to say or what I have done. I am not a professional in that area and what I see fit is not necessarily what somebody who really knows what they are doing would consider. Certainly in the short term it would probably take somebody full-time just to get it organised; to be able to liaise with the community in a correct manner, whereby all of the major bodies are informed regularly of what is going on and what can be done. They need to be able to discuss things with the Malay Association and the Chinese Literary Association and so forth. Often, with the language barrier, it can take several goes at really establishing what it is that is being said, as I am sure you would be well aware. It is not always straightforward. I would say full-time, certainly in the short term.

Senator HOGG—Is the main reason for your involvement at this stage that you have a child in that age group?

Mrs Sorrenson—Yes.

Senator HOGG—What you are doing is very laudable but what happens when your child moves out of the age group?

Mrs Sorrenson—That is right!

Senator HOGG—I see you have a willing worker beside you. But if you and your willing worker are not there, there will be a real void in terms of that age group on Christmas Island.

Mrs Sorrenson—Yes.

Senator HOGG—The second thing is that, in my time of dealing with government departments, I have never seen a more miserable act than charging you rent of \$1,800, even though they reduced it to \$900. Whilst that was done with good intent, what was the justification for charging you \$900 rent?

Mrs Sorrenson—I do not recall.

Senator HOGG—Was it based on some local rental analysis?

Mrs Sorrenson—I think it was based on the need to be accountable for a government building.

Senator HOGG—They can be accountable and yet not charge you. They responded to Senator Crossin in estimates, saying: ‘As part of our asset management of the island, we are seeking to introduce leases and payments for use of those facilities.’ That might be fine, but my view is that it is one of the most miserable acts I have ever seen.

Mr SNOWDON—And you have seen some miserable acts.

Senator HOGG—I have seen some miserable acts. When I consider that they probably spend more on wasted photocopying throughout the department and yet they have to burden you—a wholly voluntary organisation, as I understand it—with a cost of \$900, Scrooge looks like a philanthropist beside them.

Mrs Sorrenson—We were not happy about it, Senator Hogg.

Senator HOGG—I can understand that. In reading all of the submissions that have come before us, at least for Christmas Island, I thought that was the most miserable. But anyway, maybe we can keep doing something about it.

Mr SNOWDON—Has the IOTC social worker had any discussions with you about these issues?

Mrs Sorrenson—Yes. We have just changed over social workers. We did receive a lot of support from Dianne. At one point she had a trainee who was coming in on Friday evening to be with the kids and so forth. Unfortunately that did not last long enough to be established in an effective manner. It was really, ultimately, training the trainee, and there were always parents there on duty.

Mr SNOWDON—Are you aware of the service delivery agreement between the Commonwealth and the Western Australian government to do with family and community services?

Mrs Sorrenson—I would be a government services moron.

Mr SNOWDON—Sorry?

Mrs Sorrenson—I have no idea of most of these things. I tend to learn it as I go by hitting brick walls, coming back and changing direction.

Mr SNOWDON—Would it surprise you to know there was a review team which looked at the service delivery agreement between the Western Australian government and the Commonwealth in relation to family and community services? It made a number of recommendations, and one of those recommendations was that youth services be further developed on both island communities?

Mrs Sorrenson—No, I am not aware of that.

Mr SNOWDON—There has been no discussion with your group about this SDA or any matter to do with it by the Department of Family and Community Services, the administration or the Department of Transport and Regional Services?

Mrs Sorrenson—No, I have no recollection of this being mentioned.

Mr SNOWDON—We will ask them.

Mrs Sorrenson—Thank you.

Mr SNOWDON—What this says to us is that there is a review team. I will let you know who was on the review team. They were, from the Department of Family and Community Services, Genevieve Ery, Greg Fern and Mr Roly Bayman. DOTARS was represented by Julie Cunningham. Do you know Julie Cunningham?

Mrs Colquhoun—I have met her, yes.

Mr SNOWDON—Has she discussed this with you?

Mrs Sorrenson—No.

Mr SNOWDON—I think my case has been made, Mr Chairman.

Senator HOGG—You have even shown how more miserable they are.

CHAIRMAN—Did you attempt to discuss it with Mrs Cunningham or anyone from DOTARS?

Mrs Colquhoun—I had a meeting with Julie Cunningham, yes.

CHAIRMAN—What was it about?

Mrs Colquhoun—About the Youth Coordination Group and what we could do. She suggested writing grants.

Mr SNOWDON—I might emphasise the point also from Senator Hogg that I am aware of plenty of government agencies that provide property on a peppercorn rent to users. That is

something which happens around Australia. But I am most concerned that there has been no apparent consultation with the community about youth services. If there is no consultation, then it seems to me that it will be impossible to plan for your services. If you are responsible for doing it as a community group and you have not been consulted by the government, how is the government supposed to know what it is doing?

CHAIRMAN—Thank you, Mr Snowdon. I thank you also, Mrs Sorrenson and Ms Colquhoun, for your attendance here today. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you can make editorial corrections, if there are any. The Hansard reporter may wish to clarify some details with you before you leave.

[3.28 p.m.]

ASIMS, Mr Michael, Manager, Christmas Island Operations, Asia Pacific Space Centre; and General Manager, Christmas Island Resort and Casino

CHAIRMAN—Welcome, Mr Asims. These hearings are legal proceedings of parliament and warrant the same respect as the proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee has not received a submission from you, Mr Asims. Do you now wish to lodge a submission?

Mr Asims—No, just oral evidence, Senator.

CHAIRMAN—That is fine. The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee you may request that hearings be held in camera and the committee will consider your particular request. Before we ask you some questions, do you wish to make an opening statement?

Mr Asims—Yes, I will. I will start with an opening statement in relation to the Asia Pacific Space Project. The Asia Pacific currently has a licence to occupy and use crown land for the site preparation for the proposed space launch facility at South Point. Under the terms of this licence, APSC has provided and maintained a substantial security to the Commonwealth against the cost of reinstatement works on the South Point site. The reinstatement works potentially provide for the rehabilitation of the land to a similar state to that which existed prior to the site preparation, in the event that APSC abandons the works or fails to comply with the agreed environmental management plan for the earthwork activities.

Under the terms of the licence, Asia Pacific Space Centre also indemnifies the Commonwealth in respect of any legal proceedings by third parties arising from the works and has taken out a substantial public and third party risk insurance policy against any liability or claim in respect of loss or damage and injury or death arising from the works. Minister Tuckey has agreed, in principle, that APSC will be able to obtain freehold of the South Point site upon his approval of a proposal under the terms of the Christmas Island Space Centre APSC Ordinance 2001 and the commencement of construction activities at South Point.

The terms of this agreement will be contained in the establishment agreement. In the current draft of this agreement, the department of territories requires APSC to provide a substantial security to the Commonwealth for use in the event that the construction works are abandoned or damaged or degradation of the environment results from the works. In addition, the company is required to take out a further substantial environmental insurance policy. The company considers that the required amount of security and environmental insurance is grossly disproportionate to the level of risk that the Commonwealth is exposed to in regard to the possibility that the company will abandon the works once finances have been committed to the project and construction is commenced.

The company is concerned about the continuing bureaucratic impediments to our operations imposed by Canberra. We feel that the private sector needs consistency of approach from the government, especially in circumstances where the government is both the party principal and

the umpire. Instead, thus far, our experience has been one of the Commonwealth steadily hardening the conditions for operations and introducing new linkages. Since the site for the construction of the spaceport was identified, the company's anticipated land costs have blown out as a result of compensation payments to PRL and multimillion dollar government demands for security payments and insurance cover in case the construction works are abandoned or the environment is degraded or damaged.

In our company's view, the Commonwealth's requirements are grossly disproportionate to the risk level to which the Commonwealth is exposed. It is also important to understand what an inappropriate and unnecessary financial burden this imposes on our company in trying to establish a new industry on Christmas Island. The likelihood that our company will abandon the works once finances have been committed to the project—and these are the only circumstances in which it will be given approval to begin construction—or that the stringent environmental requirements imposed on its construction and operation phases will not limit the level of potential environmental damage is highly remote. In any event, the company's contractual arrangements with construction companies will ensure that they comply with the agreed environmental conditions and have the necessary third party and environmental insurances in place.

The sites for which APSC has taken responsibility—and the committee had an opportunity to see the site yesterday—have been extensively mined over many years and no remediation work has ever been attempted or required by the mining companies or the Commonwealth. Any construction work that we undertake at South Point is likely to improve, rather than damage, the current environment on these sites, and it is beyond belief that the Commonwealth would wish to return the sites to their current condition.

We are discussing these and a number of other matters in relation to the resort with the Commonwealth government. However, it is becoming very clear to us that there is a considerable gap between the way the Commonwealth deals with the commercial implementation of major projects and the more practical and realistic approach adopted by state governments.

Moving on to the issue of the resort, as I mentioned informally to the committee yesterday, it was a purpose-built property. It was opened officially by Mr Snowdon on 18 December 1993. The original lease of the property between the initial developer and the Commonwealth has a very clear provision. It is clause 3(b):

The lessee shall use the premises only for the purposes of a hotel/casino.

We have a purpose-built casino which opened in 1993. From the outset, the market segmentation in revenue terms was 90 per cent directly related to gaming and 10 per cent related to accommodation, food and beverage. The low number of rooms for the property reflected the above segmentation target, where a relatively small number of guests—high rollers and junkets—would generate the bulk of the revenue. Guests in other segments, such as the tourism segment, would simply provide high-cost, low-yield business. These numbers were attracted by offering very cheap packages, to artificially give the impression that the resort was enjoying high occupancy levels, because we did not want the high rollers to feel they were coming to an empty resort. It is worth mentioning that in 1997, using the resort aircraft, we were selling packages for the non-gaming tourism segment in Singapore.

CHAIRMAN—Who is ‘we’ in this case, Mr Asims?

Mr Asims—I was also employed by the previous owner of the resort, and that was Christmas Island Pty Ltd. That company managed and operated a large aircraft.

CHAIRMAN—What was your position at that stage?

Mr Asims—I was the general manager.

CHAIRMAN—Here on the island?

Mr Asims—Yes. In 1997 the resort offered packages in Singapore for \$299 per person. This package included return airfares from Singapore, airport transfers and breakfast. Often there was a full aeroplane load of guests. However, only about five would be high rollers; the remainder would be low-yield guests enjoying below-cost packages, simply to provide the resort with activity and give the impression to the high rollers that they were not coming to an empty resort. It is worth noting that the true cost of the airfare from Singapore at the time, on the RJ70, which is the exact aircraft used today by National Jet Systems from Perth, was approximately \$755, yet the resort was selling tourism packages for \$299.

During this time, casinos and any form of gambling were illegal in Indonesia. Whilst the Suharto decree in 1997 made any flights to Christmas Island impossible, we were able to attract a small number of high rollers to the island by providing a link via Singapore. Christmas Island resort at the time had leased an RJ70 aircraft from National Jet Systems at a gross cost of about \$900,000 per month. The revenue stream was primarily attributable to gaming. The historical figures make it clear that a small resort on a remote island without substantial gaming revenue is simply not feasible.

The resort encountered problems following the decree from the Indonesian government that flights from Indonesia were no longer allowed. This basically pulled the rug from under our feet. It was a purpose-built property attracting the Indonesian market and it did very well whilst they could get to the market. Then it could not get to the market. The decline began in 1997. The owner maintained the resort by supporting it financially. It is worth noting that the resort provided employment to 396 full-time staff.

The end for the resort came in April 1998; the owner simply abandoned it. The licence was then cancelled by Minister Somlyay and the resort officially ceased operations in May 1998. Subsequently, it was placed in the hands of Mr Herbert from PPB Ashton Read, who was the administrator and eventually the liquidator of the property. I was retained by Mr Herbert to look after the resort and prepare it for sale.

The resort was up for sale in late 1999. There were very few parties interested in the property. The liquidator wrote to Minister Macdonald at the time and inquired as to the status of the licence, because he was preparing an information memorandum for potential interested parties and it was necessary to make mention of the status of the licence. I have a copy here of a letter written by Minister Macdonald to Mr Jeff Herbert dated 30 August. I will read one paragraph in relation to the licence.

CHAIRMAN—Would you like to submit that to the committee?

Mr Asims—Yes.

CHAIRMAN—Is there any objection to that being submitted?

Mr SNOWDON—No.

CHAIRMAN—There being no objection, it is so ordered.

Mr Asims—The minister says in the letter:

The matter of any further licence to operate a casino will be made in accordance with legislation controlling the operation of the casino. Unlike the situation with the previous developer/licensee, it is not envisaged that any separate agreement be entered into between the Commonwealth and the purchaser of the resort in relation to aspects of the casino operation, nor is it thought necessary to have any obligations directed at the operation of the casino contained in or by reference to the title of the resort, whether it is a crown lease or conditional freehold.

He goes on to outline a new tax regime that would apply to a potential new developer.

CHAIRMAN—Who is 'he'?

Mr Asims—It is Senator Macdonald. Based on this letter, the liquidator appointed Jones Lang LaSalle to prepare the information memorandum. I am happy to submit that as well, Senator.

CHAIRMAN—Yes, please. Is there any objection to that being tabled? There being no objection, it is so ordered.

Mr Asims—The information memorandum, which was given to parties interested in purchasing the resort, says in paragraph 4.5 on page 9:

Christmas Island Resort Casino is currently not operational. The Commonwealth government is prepared to consider an application for a casino licence in accordance with the relevant legislation. The applicant and its associates must satisfy strict financial, ethical and business reputation criteria.

That is a standard requirement. In essence, it says any operator who meets the probative criteria of the government can have the licence.

CHAIRMAN—I would like to clear up one point there because I think it is very pertinent to what you have just said. The casino and resort was sold and came under the administration of Mr Herbert.

Mr Asims—That is correct.

CHAIRMAN—But not the licence.

Mr Asims—Not the licence.

CHAIRMAN—That is correct, is it not?

Mr Asims—That is correct.

CHAIRMAN—The licence was held by the minister on behalf of the Crown.

Mr Asims—Yes, sir.

CHAIRMAN—Thank you.

Mr Asims—I wish to point out another matter in relation to the original lease. It is relevant to what we are facing today with the minister. The original lease has a certain provision in relation to the natural springs which are situated on the property. It says:

In regard to those parts of the said land which contain natural springs and, subject to approval in writing by the government, the lessee shall construct works to collect water from the said springs; be permitted to use part of the water collected for the lessee's own use and reticulate the remainder of the water collected as directed by the Commonwealth.

Today we face a situation where Minister Tuckey has made it clear that he is not willing to consider resurrecting the gaming licence. We have had a situation where interested parties have made approaches to the department as the first stage of their inquiries into resurrecting the gaming licence at the Christmas Island casino. They came back to us and basically said there was really no point in pursuing it because the indications they had were that the minister will not entertain reissuing the licence. I believe there were also press articles quoting the minister to that effect.

We have another problem whereby the department is now seeking to excise the natural springs from the property. What they are looking to do is take the water from lease, excise the water in the natural springs and sell water back to the resort. We have potentially a resort which the minister says must open, fully operational but without a casino; he then wants to take the water and sell it back to us. There are no flights coming to the island. There is no infrastructure to support tourism. We are very concerned that without a casino licence we will find nobody willing to look at managing or taking over the casino. We have great concerns in a number of areas. We hope that in time we can work them out with the Commonwealth. We hope we can work all these areas out. However, at the moment, we are very disillusioned and we are very concerned.

Senator SCULLION—There are a number of issues you have brought up. I only have a couple of questions but I am sure my colleagues will touch on the ones I miss. First of all, this so-called space port: you talk about the remediation process to ensure the habitat is returned. As a point of clarification, is it your understanding that you are to return those areas you have changed back to pre-mining, or simply back to the state under which you occupied them?

Mr Asims—We will have to do that in any event, because the space port has to be aesthetically pleasing as well to the clients, so we fully intend to do that. However, the government's concern is that, if the project comes to an end, they then want to use our funds to rehabilitate the land to the condition it was in prior to mining.

Senator SCULLION—They have stipulated that you must ameliorate damage done to the environment—that has already been done—and you have not actually had anything to do with it. Is that what you are saying?

Mr Asims—No, I am not saying that. They have not imposed conditions on us in relation to the land as long as we have it. We obviously have to comply with environmental guidelines. They are more concerned with what would happen to the land if we terminated the project.

Senator SCULLION—Do you understand, Mr Asims, that is an absolute standard clause now in any development? If you say, ‘We are going to do these things,’ they say, ‘Yes, but if you suddenly get stuck halfway and run out of funds, or run into some challenges financially, we want to ensure you set aside sufficient funding to ameliorate any of the environmental impacts you have completed.’ I have seen the site and I do not know if I would share your concerns in regard to the environment. Most of the environmental impacts that need to be ameliorated are in terms of habitat and those sorts of issues. Certainly in our discussions and from my viewing of the site, as you pointed out, there is no real difference between the moonscape you took over and the moonscape you would leave.

Mr Asims—I understand your comment, Senator. Nevertheless, these are introduced; these are new conditions for us. They were not on the table originally. These are conditions that are not imposed on other organisations on the island.

Senator SCULLION—Regarding the resort, do you have any feelings about why the resort was purchased in the first instance? Was that part of accommodation for the personnel of the space base?

Mr Asims—It was purchased for a number of reasons. Yes, it was purchased to support the satellite facility, but it was also purchased because we could see the opportunity of healthy revenue streams from gaming and, of course, with gaming, tourism.

Senator SCULLION—You have answered a question from the chairman that clarifies the point that you knew you were not purchasing the resort with the licence. The licence had already been excised. Then you quoted ‘the prepared to consider clause’ means that under certain circumstances they may issue or come to some arrangement with a licence. You said the minister is not going to entertain issuing the licence. Have you any evidence to support that? Has there been a letter which basically says, ‘We are not going to entertain a licence’? What is it that helps you come to that conclusion?

Mr Asims—We have been told that directly from the department. I can possibly find documentation—not now—that proves that fact or that view.

Senator SCULLION—Can you recall who you spoke to in the department?

Mr Asims—Not personally, but I will speak to my colleagues and get back to you.

Senator SCULLION—Can you take that on notice?

Mr Asims—Yes.

Senator SCULLION—My last issue is about the water. I understand that the natural springs are part of a resource which falls within the area. That is the most important aspect of water on the island and it falls within that area. The contract said that part of the water can be used in part

of the casino, but the remainder—after your reticulation—will be owned by the Commonwealth. I would have thought that is a fairly reasonable thing in view of the importance of water to the wider community here that it is maintained outside private hands. Do you think that is a reasonable view?

Mr Asims—No. We want to maintain the status of the lease agreement. We want to use the water. We have the infrastructure. The infrastructure is relatively complex. We are maintaining it. The water is good-quality water. It has been tested regularly. All we wish to maintain is where we can use the water. We are happy to give the rest of the water to the Commonwealth.

Mr SNOWDON—Mr Asims, is it true that when the liquidator was going about his business, a number of parties, aside from Soft Star, expressed an interest in purchasing the casino?

Mr Asims—That is true.

Mr SNOWDON—To your knowledge, did any of them expect to be purchasing that property without running a casino?

Mr Asims—There was one serious bidder for the casino. It was a company called Coms 21 Winfare. Coms 21 is a Canberra based company in smart card technology. They have a lot of interests in gaming. Winfare is a large hotel operator which has resorts and hotels overseas in the Caribbean and in Canada. They were the only ones, other than Mr David Kwon, the current owner, who came to the island to do a due diligence.

Mr SNOWDON—The point I was getting to, though, is that the expectation lies as a result of the document reissued by the liquidator and the letters written by the former minister to indicate that this property would be run as a casino resort.

Mr Asims—Absolutely. I passed on a copy of this letter to them when they inquired about the status of the licence.

Mr SNOWDON—Let me take you back one step. I understand the capital cost of the initial property was \$80 million or thereabouts.

Mr Asims—Thereabouts, correct.

Mr SNOWDON—Can you envisage anyone wanting to spend \$80 million on a resort property on this island if it was not going to have a mechanism to achieve high income strands as are achieved by a casino?

Mr Asims—The resort is simply not sustainable. I have mentioned previously, maybe to this committee, that we have approached a number of operators. We have asked them if they would be interested in looking at managing the resort. In every case we were told categorically, ‘No, the resort is not feasible.’ It has no flights; it has no tourism infrastructure. It cannot support volume tourism. It can support small groups of tourists but no major operator, such as Radisson or Regis, will ever look at managing this property without a casino.

Mr SNOWDON—That is no surprise, is it? The original idea was to have a resort casino as an alternative to the mining operation in the early 1980s. For the information of the committee, I issued the first casino licence and was involved in discussions about it. There is absolutely no doubt that what Mr Asims says is correct; this resort would not operate without the casino licence. You will recall, Chairman, the previous hearings of the committee on the issue of the casino established without doubt that the purpose for which the resort was built was to operate as a casino resort and that the liquidator's objective was to secure a buyer for a casino resort.

When the current owner purchased the resort, he had the valid and full expectation—as did this community—that this resort would reopen as a resort and casino. Mr Asims, I have seen the press releases from Mr Tuckey, who has indicated he is not prepared to allow the issuing of a casino licence, even though no application has been made. Bearing in mind the conditions under which the thing was purchased from the liquidator, have you any idea what his rationale is for not being prepared to issue a licence?

Mr Asims—We are not quite clear on that. I am not aware of his reasons.

Mr SNOWDON—Is it moral virtue? Is it something to do with community standards?

Mr Asims—It may well be. I am simply not aware of what his reasons are. I do not think anybody is.

Mr SNOWDON—Perhaps the chairman knows what is in the mind of Minister Tuckey, as a West Australian colleague.

CHAIRMAN—It is rather difficult for anyone, including Mr Asims, to understand what Mr Tuckey—or anyone else for that matter—is thinking.

Mr SNOWDON—In any event, thank you, Mr Asims.

Senator CROSSIN—Mr Asims, have you applied for a casino licence a number of times? Can you track for us, on the record, your sequence of communications with the minister about this?

Mr Asims—We have held negotiations with a number of parties over the last 2½ years in relation to resurrecting the casino operation. The idea was to resurrect the operation on a small scale, perhaps with a few machines and a small number of tables. We have approached operators who are well known in the field, with a reputation as being professional casino operators. One operator recently approached the department to make preliminary inquiries in relation to the casino. They were told the casino licence would not be renewed. That goes hand in hand with statements made by Minister Tuckey and press releases to that effect. We are really not confident right now to approach any more operators. We would rather sort this issue out now before we negotiate further with operators. Once you negotiate and they go to the department and are told the licence is not going to happen, they then go away and are not very likely to want to talk to you again.

Senator CROSSIN—But Soft Star itself has not directly applied for a casino licence from the minister. Is that right?

Mr Asims—That is correct. We have not applied for a casino licence.

Senator CROSSIN—Is there an intention to do that?

Mr Asims—Yes, but that would be with the casino operator. The casino operator will initially make the approach to the department. If the department agrees, they will go through property checks and then they will be given the licence. We also, at the same time, apply for the licence as the owner. The operator licence is a separate issue.

CHAIRMAN—And it always has been a separate issue, Mr Asims.

Mr Asims—Yes. Previously the owning company was Christmas Island Resort Pty Ltd and the operator of the casino, from day one until 1997, was Casinos Austria.

Senator HOGG—Is there a formal application form one has to fill out to get the licence, or is it just by way of a letter to the minister, requesting that a licence be issued?

Mr Asims—It is quite a complicated process. The property checks can take anything from six to eight months.

Senator HOGG—I understand that but to start the process off, to kick it off, is there a formal application form or do you write a letter to the minister saying, ‘Dear Minister, we want to exercise the option of operating a licence at such and such a site’?

Mr Asims—In the first instance, it would be a formal letter.

Senator HOGG—And you have not gone through that process?

Mr Asims—No, we have not gone through that process.

Senator HOGG—Would you need to go through that process to ensure that the people who would operate the casino for you would have some confidence in the process itself; that you had taken the first step to get a commitment out of the minister—it might be an ironclad undertaking—that a licence may be issued or may be forthcoming upon the finding of a suitable operator for the casino?

Mr Asims—It may be the best tactic at this stage. If we are to avoid further embarrassment with any interested parties, that probably is the best way to go.

Mr SNOWDON—Do you know if there has been any contemplation of what the Commonwealth’s liability might be, if any, in relation to breach of contract?

Mr Asims—In relation to the casino?

Mr SNOWDON—Breach of contract over the casino. An undertaking was given by the government that a casino licence would be issued on the purchase of the property by the liquidator. It would seem to be almost an open and shut case about a breach of contract.

Mr Asims—I cannot comment on that.

CHAIRMAN—That, incidentally, is not my recollection from when I served on the committee and signed off on that *Risky business* report. It was never the intention to sell the licence as part of the collateral of the resort.

Mr SNOWDON—No-one said that. The property was sold to operate as a casino and resort. There was no question you had to apply for a licence. That is not at issue here. The fact you have to apply for a licence is not a problem. You have to apply for a licence as a process you go through. That all has to be done. But the intention of sale was for people to put their bids in for that property on the basis of it being a resort to operate as a casino.

CHAIRMAN—Their bid may have been subject to that, Mr Snowdon.

Mr SNOWDON—That is what the minister said it would be.

CHAIRMAN—But it was not an inferred condition by the government that the licence would automatically follow.

Mr SNOWDON—No, we are not talking about an automatic decision here.

Mr SNOWDON—No, we are not talking about an automatic decision here. It is about people making commercial decisions about what they could possibly do with a property if they have been told they could operate it. As Mr Asims has said, if they were going to purchase this property as a resort, you might have had a very different outcome in terms of price, as opposed to what—

Mr Asims—It was inferred in the letter from Senator Macdonald that the licence would be resurrected.

CHAIRMAN—Thank you, Mr Asims. Would you be kind enough, if you have it, to let the committee have the copy of the conditions of licence you spoke about earlier in your contribution?

Mr Asims—Yes, I will.

CHAIRMAN—Is there any objection to that conditions of licence being tabled? There being no objection, it is so ordered. Thank you, Mr Asims, for your interesting contribution here today. If there are any matters on which we need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you can make editorial corrections. On behalf of the committee, I thank you for your attendance here today.

Mr Asims—Thank you.

[4.05 p.m.]

JEALOUS, Ms Virginia Lesley (Private capacity)

CHAIRMAN—Ms Jealous wishes to make a brief statement to the committee. I welcome you back on behalf of the committee. Please proceed with your statement, Ms Jealous.

Ms Jealous—Thank you. I would like to draw to the committee's attention an inconsistency on the island in terms of the application of the first home owner grant act versus what happens on the mainland. The first home owner grant is \$7,000, which is an allocation obviously to the buyers of first homes. On island at the moment I am aware of people who have had their applications for the first home owner grant rejected, there are people on island who have received the first home owner grant, and there are people on island who have received the first home owner grant and have been required to repay it two and a half years after its original awarding by the Western Australian Department of Finance, which is the body that so far has been dealing with this issue on island.

The response that has come back variously from different people in the territories and the Department of Finance in Western Australia is that, as the first home owner grant was introduced as part of the GST package in 2000 and, as Christmas Island and Cocos Island are GST free, Christmas Island and Cocos Island residents are not eligible for the first home owner grant. That sounds fine on a quick reading; but logistically it is very inconsistent. I do not know figures and I am pulling these out of the air. If, for example, you buy a built house on the mainland and you get the \$7,000 first home owner grant and maybe \$2,000 of that goes towards GST in lawyer services or conveyancing fees or whatever, you still have \$5,000 to put towards your house. On Christmas Island you have nothing.

That is an issue which has inconsistencies and needs to be clarified. We have had written advice in comments, on advice from territories to the Western Australian Department of Finance, who are requesting the grants to be paid back. I have had no luck in trying to ascertain exactly where in legislation this is written. I cannot find a reference in legislation to the fact that CI and Cocos are officially exempt. It may well be there, but nobody has been able to give me that and I certainly have not located it in any of the acts. There are a lot of people who need clarification of that. That is my statement, thank you.

CHAIRMAN—A couple of points arise there. The first is that I think it is a federal government initiative and it came out of central revenue.

Ms Jealous—Yes. It is actually applied state by state.

CHAIRMAN—Whether it is administered state by state I do not know, but what we will undertake to do is find out why apparently, on your evidence, there have been more problems trying to obtain the first home owner grant for Christmas Island than on the mainland.

Ms Jealous—The logic of associating it with the GST package does not work on the figures in terms of benefits to people on the mainland and benefits to people on Christmas Island. That is my big issue.

CHAIRMAN—Yes. You do not pay GST here, do you?

Ms Jealous—No. That is correct.

CHAIRMAN—We will undertake to come back to you on that.

Senator CROSSIN—I think it is worth pointing out that the response about people on the island not paying GST, therefore not eligible for the first home owner grant, came out of Senate estimates questions we asked. You should be aware that a number of us are seeking to clarify that. It is my understanding that the \$7,000 has been around for many years as the first home owner grant and in 2000 an additional \$7,000 was allocated to people—that is, first home owners could get \$14,000 for a period of two years to compensate for the introduction of the GST. Something we will pursue through this committee now as well is why, therefore, the original \$7,000, which was not linked to the GST, should not be made available to people on Christmas Island.

Ms Jealous—Could you do it within 10 days—that is when I have to repay it?

Senator CROSSIN—We may well find out the answer to that, but we may not be able to do anything about reversing the decision.

Ms Jealous—Yes, I know.

Senator CROSSIN—Are you saying there are some people on the island who have received and been allowed to keep that money?

Ms Jealous—The compliance people have not caught up with them yet.

Senator CROSSIN—My understanding is that everyone will be asked to repay it.

CHAIRMAN—Thank you, again, Ms Jealous, for your appearance before the committee this afternoon. Before closing I would like to thank again all the witnesses—if any are still here—who appeared before the committee today. I thank the secretariat for their contribution and I also thank Hansard very much indeed for their contribution as well.

Resolved (on motion by **Senator Crossin**):

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

Committee adjourned at 4.11 p.m.