

Economic Development and Tourism

8.1 In its annual report for 2001-2002, the Department of Transport and Regional Services reported on the establishment of economic development committees in the two territories, on the construction associated with the Immigration Reception Processing Centre (IRPC) and on the potential for employment that would be generated by the Asia Pacific Space Centre (APSC). The Department concluded that:

These initiatives – the Asia Pacific Space Centre, the permanent immigration reception and processing centre and the Economic Development Committees – will lead to improved employment levels and economic activity in the IOTs.¹

8.2 The economies of the Indian Ocean Territories are narrowly based, depending on few activities. The major economic activity in both Territories is the provision of government services. Phosphate mining is also important on Christmas Island, and both Territories attract tourists in small numbers. Both also have small commercial services sectors. On Christmas Island, the Committee heard that the main economic concerns were the development of tourism, the cancellation of the IRPC contract, the lack of progress on the APSC project, and the future of phosphate mining. Evidence was also received about difficulties in obtaining insurance, the casino licence and the failure to pay entitlements to laundry workers. On Cocos (Keeling) Islands, witnesses were also interested in the development of tourism, but the majority of evidence related to developments in the Government sector.

1 Department of Transport and Regional Services, *Annual Report 2001-2002*, p. 143.

Tourism

- 8.3 The Treasurer of the Christmas Island Tourism Association (CITA), Mr Fred Robinson, stated that every report on Christmas Island's economy in the past decade had concluded that the Island's long-term future lay with tourism, but that no-one had produced a plan for its development.² Mr Robinson told the Committee that the three principal problems with advancing tourism on Christmas Island were assured regular flights from both the north and the south, funds to support marketing programs, and market penetration into mainland Australia and overseas.³ The Committee has considered some of the issues relating to air services earlier in this report, but has not reached any firm conclusions about how services could be greatly improved.
- 8.4 The Commonwealth has attempted to assist the Territories financially by providing funding for their tourism associations. The Committee was informed, for example, that in 2001-2002 the Commonwealth contributed approximately \$61,000 to CITA and \$27,000 to the Cocos (Keeling) Islands Tourism Association (CKITA).⁵ The Department of Transport and Regional Services informed the Committee that in 2002-2003 it provided \$114,000 to the Indian Ocean Territories tourism associations to assist them with marketing. It had also sought to establish an SDA with the Western Australian Tourism Commission (WATC), but this has not been finalised, possibly because of the potential conflict for the WATC in promoting the Indian Ocean Territories and Western Australia.⁶
- 8.5 The market in the Indian Ocean Territories is for 'boutique tourism', which relates to scuba diving, eco-tourism, including bird watching, and 'escaping to a desert island'.⁷ Mr Robinson informed the Committee that to reach this market CITA has a budget of \$48,000, which is quite significant for a small community, but that its markets, in Europe, Australia and South-East Asia, are expensive to access. He also observed that:

What is lacking is the back up from the state tourism department.
A small community such as Kalgoorlie or Alice Springs would

2 Mr Fred Robinson, Transcript, 11 March 2003, p. 2.

3 Mr Fred Robinson, Transcript, 11 March 2003, p. 3.

5 Mr Fred Robinson, Transcript, 11 March 2003, p. 6; Cocos (Keeling) Islands (Keeling) Islands Tourism Association, Submissions, p. 263.

6 Department of Transport and Regional Services, Submissions, p. 650.

7 Mr Fred Robinson, Transcript, 11 March 2003, p. 3.

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.⁸

The Department of Transport and Regional Services indicated that it might be possible to establish a service delivery arrangement for advice only, and stated that it would pursue that possibility with WATC.⁹

- 8.6 CITA proposed that additional funding for marketing could be raised by imposing a \$10 levy on air tickets. Based on passenger numbers for 2002, the levy could raise \$55,000 per annum which would be sufficient to employ a marketing officer.¹⁰ The Committee has been unable to consider the suggestion in depth, but can see at least one obstacle in that special legislation presumably would be required for its implementation.
- 8.7 Although there was little evidence submitted relating to tourism on Cocos (Keeling) Islands, the remoteness of the Islands and the natural environment suggest that they, too, are looking at the 'boutique tourism' market. The CKITA stated that the Territory should receive the same level of Commonwealth funding for tourism as does Christmas Island, so as to employ a full-time tourism officer and to establish a visitors' centre. The Association informed the Committee that tourism infrastructure had been greatly expanded during the past four years and that this should be reflected in the funding provided by the Commonwealth.

Immigration Reception Processing Centre (IRPC)

- 8.8 On 17 June 2002, the Federal Government announced that the Walter Construction Group had been awarded a contract for the design and construction of the permanent Christmas Island IRPC. The facility was to accommodate up to 1200 people, with the first stage providing capacity for up to 400 people to be available by the end of 2002.¹¹ On 19 February 2003, the Government announced that the contract had been terminated, and that construction of a scaled-down centre, to accommodate 800 persons, would be re-tendered. The Government remains committed to the construction of the centre.¹²

8 Mr Fred Robinson, Transcript, 11 March 2003, pp. 3-4.

9 Department of Transport and Regional Services, Submissions, p. 650.

10 Mr Fred Robinson, Transcript, 11 March 2003, p. 4.

11 Hon. Philip Ruddock MP, Minister for Immigration and Multicultural and Indigenous Affairs, *Contract signed for Christmas Island Detention Facility*, media release, Canberra, 17 June 2002.

12 Hon. Philip Ruddock MP, Minister for Immigration and Multicultural and Indigenous Affairs and Senator the Hon. Nick Minchin, Minister for Finance and Administration, *Re-tender for Christmas Island Immigration Centre*, media release, Canberra, 19 February 2003.

8.9 The Chamber of Commerce told the Committee that in March 2002, community and business interests were advised by the then Minister for Regional Services, Territories and Local Government that the IRPC would bring great economic benefits to the island and that private enterprise should seize the many opportunities that would flow from the project and prepare the private business sector accordingly.¹³ Members of the Chamber subsequently invested \$22.75 million to service the expected demand.¹⁴ The Chamber stated:

...we did gear up in our varied ways and in various financial amounts, and the island economy looked solid until mid December [2002]. The shock announcement came on 19 February [2003], 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...

...we are collecting statistics to support the fact that the private sector, small though it is, is vital to the well-being of this Island and its future, has been derailed by this decision. It has had an immediate negative effect on business confidence in particular and the community in general.¹⁵

The Chamber of Commerce noted that the Island economy was about to enter into a recession "not seen or experienced since the sudden closure of the casino resort in 1998".¹⁶

Asia Pacific Space Centre (APSC)

8.10 Construction of the Asia Pacific Space Centre, which is described in the Committee's 2001 report, *Risky Business*, was to have begun in 2001 with operations commencing in late 2003.¹⁷ When the Committee visited Christmas Island in March 2003, some earthworks had begun at the site.

8.11 As stated in the Committee's 2001 report, the Federal Government had announced an incentive package to assist with the development of the space launch facility. An extension of the airport was included in the package but, as the Department of Transport and Regional Services

13 Captain Don O'Donnell, Transcript, 11 March 2003, p. 11.

14 Christmas Island Chamber of Commerce, Submissions, p. 450.

15 Captain Don O'Donnell, Transcript, 11 March 2003, p. 11.

16 Captain Don O'Donnell, Transcript, 11 March 2003, p. 11.

17 Joint Standing Committee on the National Capital and External Territories, September 2001, *Risky Business: Inquiry into the tender process followed in the sale of the Christmas Island Casino and Resort*, pp. 10-11, 144-146.

informed the Committee, this is contingent on APSC committing to the project and meeting a range of conditions which the Government has set.¹⁸

8.12 The Manager, Christmas Island Operations, APSC, Mr Michael Asims, noted that the company had a licence to occupy and use Crown land for the site preparation of the proposed space launch facility at South Point on Christmas Island. Under the terms of the licence, APSC indemnifies the Commonwealth in respect of any legal proceedings by third parties arising from the works. APSC also has 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 resulted from the works.¹⁹ Mr Asims stated:

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.

Since the site for the construction of a spaceport was identified, the company's anticipated land costs have blown out as a result of compensation payments to [Phosphate Resources Limited] and multimillion dollar government demands for security payments and insurance cover.²⁰

Phosphate mining

8.13 As stated in the Committee's 2001 report, phosphate mining has historically been the backbone of the Christmas Island economy.²¹ The mining company, Christmas Island Phosphates (CIP), remains the major employer on the Island, with 130 people on the payroll.²² The company mines and exports 500,000 to 600,000 tonnes of phosphate per year, mostly to South East Asia. In the past 12 years its exports have been valued at \$360 million.²³

18 Mr Mike Mrdak, Transcript, 28 March 2003, p. 214.

19 See Mr Michael Asims, Transcript, 11 March 2003, p. 78.

20 Mr Michael Asims, Transcript, 11 March 2003, p. 79.

21 Joint Standing Committee on the National Capital and External Territories, September 2001, *Risky Business: Inquiry into the tender process followed in the sale of the Christmas Island Casino and Resort*, p. 142.

22 Mr Choon Foo Cheong, Transcript, 11 March 2003, p. 60.

23 Mr Choon Foo Cheong, Transcript, 11 March 2003, p. 61.

8.14 Christmas Island Phosphates pointed out that in 1998 it had signed a 21-year mining lease with the Commonwealth, but that its resource inventory had been reduced by recent developmental projects on the Island, namely, the IRPC and the APSC.²⁴ The company stated that its current phosphate resources should last for about five more years.²⁵ Christmas Island Phosphates had developed two proposals to prolong the life of the mine, one for exploration on vacant Crown land and another for mining at nine sites on Crown land. The exploration proposal is subject to a Public Environment Report and the mining proposal to an Environmental Impact Statement.²⁶ The company claimed it can make a case for undertaking additional mining without causing long term serious impacts to the environment.²⁷

8.15 The Department of the Environment and Heritage noted that Christmas Island Phosphates is seeking access to 448 hectares of vacant crown land, including significant rainforest areas. The company was advised that there would be areas in which mining would be prohibited. The Department also reminded the Committee that when the Minister makes decisions under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) he has to take into account economic and social factors.²⁸

8.16 Christmas Island Phosphates stated that there should be a planned and rational transition to the Island's post mining economy. The company noted that:

If the company is obliged to terminate its operations within the next five years, this will not be possible. The disruption that will be caused will be similar to the shattering effects of the abrupt closure of the Commonwealth's mining operation in the late 1980s.²⁹

8.17 The Union of Christmas Island Workers and the Shire Council support Christmas Island Phosphates' application for the additional leases.³⁰ The company also pointed out that it was trying to gain access to phosphate stockpiles in the national park.³¹ The stockpiles had been placed by

24 Phosphate Resources Limited, Submissions, pp. 385

25 Phosphate Resources Limited, Submissions, pp. 386.

26 Phosphate Resources Limited, Submissions, p. 386.

27 Phosphate Resources Limited, Submissions, p. 388.

28 Mr Gerard Early, Transcript, 28 March 2003, p. 181.

29 Phosphate Resources Limited, Submissions, p. 388.

30 Mr Gordon Thomson, Transcript, 11 March 2003, p. 45; Shire of Christmas Island, Submissions, p. 515.

31 Mr Choon Foo Cheong, Transcript, 11 March 2003, p. 60.

previous miners on land that became part of the National Park. The company cannot access these stockpiles, even for sampling. At the time of the public hearings, Christmas Island Phosphates and Parks Australia were discussing whether sampling could be carried out, and whether removal of the stockpiles might assist in the Park's rehabilitation process.³² The company noted that if it can access the stockpiles it may be able to increase the mine's resources and prolong its life.³³

- 8.18 The Committee expects that the Federal Environment Minister, when deciding whether to approve the application for additional mining leases, will take into account the potentially serious economic and social consequences of the early cessation of phosphate mining. If the mine were to cease operations within the next few years this would, of course, have budgetary consequences for the Commonwealth.

Insurance

- 8.19 Since the collapse of HIH Insurance in Australia, the September 11 disaster in the United States and the withdrawal of CGU Insurance from the Indian Ocean Territories, it has been difficult for some businesses and private individuals in the Indian Ocean Territories to obtain insurance coverage.³⁶ The Shire of Christmas Island described the difficulties as follows:

The situation with the availability of public liability, house and contents insurance is varied and complex. Some organisations, due to their buying power, are able to maintain and renew all required insurances. The residential sector has found it difficult to obtain due to several factors e.g. the age of the property and whether the owner has building certification, whether mortgaged, whether security systems are in place and locality. Other owners have sourced insurance but cannot afford to pay the increased premium. Not for profit organisations are also finding it very difficult to source and pay for public liability insurance. Comprehensive vehicle insurance is only available for luxury cars.³⁷

32 Mr Choon Foo Cheong, Transcript, 11 March 2003, pp. 61-62.

33 Mr Danny Gillespie, Transcript, 11 March 2003, p. 63.

36 Department of Transport and Regional Services, Submissions, p. 651.

37 Shire of Christmas Island, Submissions, p. 517.

8.20 Mr Eddie Tan, Chairman of the Austasia Business Council (ABC), referred in his evidence to the difficulties that car rental agencies on the Island had in obtaining third party vehicle insurance:

...after CGU pulled out of Christmas Island, one of our major car hire companies suffered quite financial losses...he cannot obtain a car rental licence and also third party licence against any car rental issue.³⁸

8.21 The Department of Transport and Regional Services stated that, in conjunction with a WA Insurance Broker, it had endeavoured to source providers for all types of insurances.³⁹ When commenting on the car hire insurance difficulties outlined by Mr Tan, the Department noted that there appeared to be some confusion:

The Department understands that a provider for hire vehicle insurance has been identified to provide coverage of hire vehicles however the premium being quoted is significantly higher than that previously offered by the CGU.⁴⁰

The Committee trusts that the Department of Transport and Regional Services will continue to explore options to enable persons and businesses in the Indian Ocean Territories to access affordable insurance cover.

Casino Licence

8.22 A comprehensive description of the development, operation and closure of the Christmas Island Casino and Resort may be found in the Committee's report, *Risky Business*.⁴¹ At the time of the Committee's visit in March 2003, little had changed. The resort was still owned by Soft Star Pty Ltd and the casino licence had not been renewed. Residents advised the Committee that they wanted the Christmas Island Casino and Resort to re-open because it would create jobs, and the Shire Council maintained its position that the Christmas Island Resort should re-open as a casino resort.⁴²

8.23 The Shire Council stated that it was surprised at recent statements that the Commonwealth would not consider another casino licence, given that

38 Mr Eddie Tan, Transcript, 11 March 2003, p. 27.

39 Department of Transport and Regional Services, Submissions, p. 651.

40 Department of Transport and Regional Services, Submissions, p. 651.

41 Joint Standing Committee on the National Capital and External Territories, September 2001, *Risky Business: Inquiry into the tender process followed in the sale of the Christmas Island Casino and Resort*.

42 Shire of Christmas Island, Submissions, p. 516.

every state had at least one casino and that the Commonwealth originally saw the Christmas Island Resort as the future of the Island's economic base.⁴³ The Shire Council also stated that it was concerned with the lack of maintenance and refurbishment of the resort.⁴⁴

8.24 Mr Asims, who is also General Manager of the Christmas Island Resort and Casino, informed the Committee that without a gaming licence, the Christmas Island Casino and Resort would not be able to reopen and that there was no prospect of the licence being re-issued. He stated:

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 are very concerned that without a casino licence we will find nobody willing to look at managing or taking over the casino... we are very disillusioned and we are very concerned.⁴⁵

8.25 The Department of Transport and Regional Services outlined for the Committee the application process for a casino licence under the *Christmas Island Casino Control Ordinance 1988*. In brief, the Minister decides whether to grant a licence based on advice from the Casino Surveillance Authority. There is no appeal possible against the Minister's decision under the Ordinance, but a review under the *Administrative Decisions (Judicial Review) Act 1977 (Cth)* in the Federal Court could be sought.⁴⁶

8.26 An issue that has arisen since the Committee's previous report relates to water rights on the casino and resort property, as outlined by Mr Asims:

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 the 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

43 Shire of Christmas Island, Submissions, p. 516.

44 Shire of Christmas Island, Submissions, p. 516.

45 Mr Michael Asims, Transcript, 11 March 2003, p. 82.

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

operational but without a casino; he then wants to take the water and sell it back to us.⁴⁷

Laundry Workers - Christmas Island

8.27 In its report *Risky Business*, the Committee recommended that the Commonwealth underwrite the payment of salaries and entitlements owed to former employees of Christmas Island Laundry Pty Ltd, not exceeding the total sum of \$20,000.⁴⁸ The UCIW stated that it was disappointed with the Government's response to the Committee's recommendation, which was that the laundry workers were not entitled to Commonwealth recompense:

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.⁴⁹

The Committee has no reason to resile from its earlier recommendation and considers that the Commonwealth should reconsider its response.

47 Mr Michael Asims, Transcript, 11 March 2003, p. 82.

48 Joint Standing Committee on the National Capital and External Territories, September 2001, *Risky Business: Inquiry into the tender process that followed in the sale of the Christmas Island Casino and Resort*, p. xix.

49 Mr Gordon Thomson, Transcript, 11 March 2003, p. 44.