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The Parliament of the Commonwealth of Australia

# Report on the visit to the Indian Ocean Territories, 21-25 October 2012

**Review of the Department of Regional Development, Regional  
Australia and Local Government Annual Report 2010-11**

Joint Standing Committee on the National Capital and External Territories

June 2013  
Canberra

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## Foreword

The Joint Standing Committee on the National Capital and External Territories has a longstanding interest in the welfare and development of the Indian Ocean Territories. In 2006 and 2010, the Committee conducted two major inquiries into the IOTs, one focused on governance, the other on economic development. In 2012, the Committee resolved to visit the IOTs again, to engage with the local communities on a range of matters, and see what support and direction we could give to both the Australian Government and the local communities in the management of issues affecting the IOTs.

This report is the result of that visit. It addresses a broad range of concerns. It does not purport to be the last word on any of the matters raised – rather, it sets out the views of the Committee based on what the Committee saw and the evidence it took. It also reflects the long familiarity of the Committee with the IOTs. It sets out the concerns of the Committee with regard to a number of issues that will be the subject of more detailed investigation in the future.

The Committee's visit was both enjoyable and frustrating – enjoyable, because it is very easy to spend time in beautiful locations surrounded by friendly people in a relaxed atmosphere; frustrating, because there is a palpable sense that the problems facing the communities in the IOTs have been regularly canvassed, endlessly discussed, repeatedly reported upon, and yet there not enough evidence of meaningful progress. Indeed, it is apparent from the evidence collected by the Committee during the visit that many of the issues raised in its previous reports remain to be addressed.

The report makes over twenty recommendations. About half address relatively straightforward issues, such as funding for roads, aged care, waste management and recreation facilities, coastal management, pensioner air fare concessions, fuel storage and housing – small enough issues from the perspective of Canberra, large issues for the people of the IOTs. These are vital local issues from the point of view of external territories, noting the responsibility that the Commonwealth exercises

over local matters that would on mainland Australia be exercised by State or local governments.

Other recommendations concern more complex issues. In its recommendations, the Committee has sought to address – once again – the thorny issues of governance, economic development and environmental management. These matters require the Australian Government to articulate a clear and coherent vision for the future of the IOTs – one that addresses governance, economic development and environmental management holistically so that the management of these issues occurs within an integrated framework to which the whole of government is committed. There was clear frustration in the communities with the piecemeal approach to policy development and the contradictions in priorities between different sections and levels of government.

There also needs to be a clear commitment to fund and implement policy. The IOTs has been the subject of numerous reports outlining strategies and solutions, but few have been implemented. The Committee has recommended the funding and implementation of existing strategies on economic development, tourism, provision of services and environmental protection. Perhaps the most important of these is the report of the Expert Working Group that examined threats to Christmas Island's unique ecology. Key species on Christmas Island have suffered catastrophic decline because of a range of factors – most notably the Yellow Crazy Ant. Without urgent remediation, a number of species face extinction. The Committee has therefore recommended that the Australian Government fund and implement the recommendations of the Expert Working Group as a matter of urgency.

The need for an integrated approach to policy is highlighted by the economic situation in the IOTs. The three pillars of the economy on Christmas Island are the phosphate mine, immigration detention and tourism. There are few synergies between these sectors, much conflict and no coordination. The phosphate mine has a limited life, immigration detention is not expected to be a permanent fixture, and tourism is, as yet, underdeveloped. There also remains the open question of the future of the Christmas Island Casino. In addressing these issues, the Committee has recommended the development of an economic strategy for the IOTs to transition them from heavy reliance on government activity and mining towards sustainable private sector activity. Within this context, the Committee has sought an Australian Government commitment to: the extension of the current mining leases and reconsideration of new mining leases within the context of creating environmental management investment; the funding and implementation of existing tourism strategies; and the reopening of the Christmas Island Casino, should a satisfactory proposal come forward.

Implementing these recommendations will require two things: money and a change in mindset in the federal bureaucracy. The IOTs are in the difficult position


of answering to the Commonwealth for the delivery of state and local services, something the Department of Regional Australia, Local Government, Arts and Sport is perhaps not always, despite good intentions, in the best position to provide. Even mediated through the local shires and Service Delivery Arrangements with Western Australia, the delivery of state and local services still require acuity and flexibility on the part of the Department. In short, the Australian Government can't bluntly apply Commonwealth rules to the delivery of state and local government functions. It needs to focus on the needs of the communities in the IOTs, and make the necessary adjustments to the law to allow it to do so.

I would like to thank all those who contributed to the visit and the report. The Committee appreciates the efforts of all those who gave evidence and made submissions. It also appreciates the many people on the Cocos (Keeling) Islands and on Christmas Island who facilitated the visit, especially the Administrator Jon Stanhope, his predecessor Brian Lacy, and Liyana Pereira, their executive assistant. I would also like to thank my Committee colleagues for their strong bipartisan support for the visit and the report; and the secretariat for their work in making it all happen.

Senator Louise Pratt  
Chair







## Membership of the Committee

Chair            Senator Louise Pratt

Deputy Chair   Mr Luke Simpkins MP

Members	The Hon Dick Adams MP	Senator Judith Adams (until 4/4/12)
	Ms Gai Brodtmann MP	Senator Trish Crossin
	Ms Anna Burke MP (until 9/10/12)	Senator Gary Humphries
	The Hon Simon Crean (from 22/4/13)	Senator Stephen Parry
	Mrs Natasha Griggs MP (from 20/8/12)	
	Dr Andrew Leigh MP (until 22/4/13)	
	The Hon Bruce Scott MP (from 9/10/12)	
	Mr Patrick Secker MP (until 20/8/12)	
	Hon Peter Slipper MP (until 24/11/11)	

## Committee Secretariat

Secretary

Mr Peter Banson

(from 13/2/13)

Mr Peter Stephens

(until 8/2/13)

Inquiry Secretary

Dr William Pender



## Terms of reference

That the Committee review the Department of Regional Development, Regional Australia and Local Government Annual Report 2010-11





## List of abbreviations

AFMA	Australian Fisheries Management Authority
AFP	Australian Federal Police
AQIS	Australian Quarantine and Inspection Service
CI	Christmas Island
CITA	Christmas Island Tourism Association
CKI	Cocos (Keeling) Islands
CLA	Chinese Literary Association
DAFF	Department of Agriculture, Fisheries and Forestry
DEEWR	Department of Education, Employment and Workplace Relations
DFES	Department of Fire and Emergency Services (WA)
DIAC	Department of Immigration and Citizenship
DRA	Department of Regional Australia. Local Government, Arts and Sport
EWG	Expert Working Group
FHOAG	First Home Owners Grant
GST	Goods and Services Tax
HACC	Home and Community Care

IOTs	Indian Ocean Territories
IOTGA	Indian Ocean Group Training Association
IRPC	Immigration Reception and Processing Centre
JSCNCET	Joint Standing Committee on the National Capital and External Territories
NBN	National Broadband Network
PRL	Phosphate Resources Limited
RDA	Regional Development Australia
RDO	Regional Development Organisation
SDA	Service Delivery Arrangement
SOCI	Shire of Christmas Island
WA	Western Australia



# List of recommendations

## 1 Report on the visit to the Indian Ocean Territories

### Recommendation 1

The Committee recommends that the Australian Government, as a matter of urgency, commit sufficient funds to give effect to the recommendations of the Expert Working Group on Christmas Island, as set out in its final report.

## 2 Governance

### Recommendation 2

The Committee recommends that the Australian Government formulate a vision or strategic plan in direct consultation with the island communities for the future of the IOTs. This vision will articulate:

- better governance and administrative arrangements
- a greater degree of administrative autonomy
- a commitment to the funding and implementation of existing strategies commissioned by the Commonwealth in respect of
  - ⇒ economic development
  - ⇒ the provision of services
  - ⇒ protection of the environment
- the aspirations and needs of the island communities
- how different aspects of government policy will be coordinated.

### Recommendation 3

The Committee Recommends that the Australian Government develop a formal mechanism to allow consultation with and feedback from the Indian Ocean Territories' communities in relation to the application of Western Australian law to the IOTs and the negotiation and implementation of SDAs.

### Recommendation 4

The Committee recommends that the Australian Government conduct a full biosecurity assessment of the IOTs.

## 3 Economic Development

### Recommendation 5

The Committee recommends that the Australian Government develop and commit to an economic strategy for the Indian Ocean Territories to transition the economy of the IOTs from its current situation, heavily reliant on a mining or government activity, to one based on sustainable private sector activity. This strategy is to be formulated by the Australian Government in conjunction with the local communities.

### Recommendation 6

The Committee recommends that as part of its overall economic strategy for the Indian Ocean Territories and in the context of creating environmental management investment, the Australian Government commit to the extension of the current mining leases and re-examine new mining leases on Christmas Island.

### Recommendation 7

The Committee recommends that as part of its overall economic strategy for the Indian Ocean Territories, the Australian Government commit to the implementation of existing strategies commissioned by the Commonwealth to develop tourism in the Indian Ocean Territories, and develop long term arrangements to secure air services, including subsidising flights to Asia, and improve tourism-related infrastructure and facilities.

### Recommendation 8

The Committee recommends that the Australian Government commit to the reopening of the casino on Christmas Island and that it facilitate the approval process to allow this to happen if a proposal comes forward.



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## 4 Service provision

### Recommendation 9

The Committee recommends that the Australian Government commit to extending and upgrading mobile telephone services in the Indian Ocean Territories to provide access to 3G/4G telephone services.

### Recommendation 10

The Committee recommends that the Australian Government provide road funding to the Indian Ocean Territories on a more flexible basis, with longer grant periods, rolling funding, and more local discretion upon how the funds are used.

### Recommendation 11

The Committee recommends that the Australian Government commit funds to the sealing of the road to the Immigration Reception and Processing Centre as a matter of priority.

### Recommendation 12

The Committee recommends that the Australian Government review its policy towards shipping of freight by plane and ship to the Indian Ocean Territories with a view to leveraging off Commonwealth efficiencies to find the most cost effective outcome for the communities in the IOTs.

## 5 Local issues—Cocos (Keeling) Islands

### Recommendation 13

The Committee recommends that the Australian Government provide funds for the construction of a recreation centre/cyclone shelter on West Island as a matter of urgency.

### Recommendation 14

The Committee recommends that the Department of Immigration and Citizenship develop a cyclone contingency plan for its operations on the Cocos (Keeling) Islands which will provide safe accommodation meeting Australian cyclone standards on island for asylum seekers in the event of a cyclone without undue risk or inconvenience to the local community.

### Recommendation 15

The Committee recommends that the Australian Government urgently address the insurance problems facing the communities of the Indian Ocean Territories, if necessary by investigating the provision of insurance to those communities.

#### **Recommendation 16**

The Committee recommends that the Australian Government provide the necessary funding to implement a comprehensive waste management strategy on the Cocos (Keeling) Islands, including funding facilities for the incineration of organic waste and the safe removal of inorganic waste from the islands.

#### **Recommendation 17**

The Committee recommends that the Australian Government fund the stockpiling of geofabric bags for the better management of coastal erosion on the Cocos (Keeling) Islands.

#### **Recommendation 18**

The Committee recommends that the Australian Government take steps to improve the opportunities for local businesses to participate in work under contract, including by separating large tenders into individual parts or allowing local businesses to tender for parts of contracts.

### **6 Local Issues—Christmas Island**

#### **Recommendation 19**

The Committee recommends that the Australian Government provide increased storage capacity for petrol on Christmas Island as a matter of urgency.

#### **Recommendation 20**

The Committee recommends that the Australian Government commence planning for, and funding of, a dedicated aged-care facility to be collocated with the Christmas Island Hospital.

#### **Recommendation 21**

The Committee recommends that the Australian Government undertake a comprehensive housing survey to establish levels of availability and demand for housing in the Indian Ocean Territories.

#### **Recommendation 22**

The Committee recommends that the Australian Government provide funds for the raising of the sea wall in the Kampong, with a view to facilitating design and construction within the next two years.

#### **Recommendation 23**

The Committee recommends that the Australian Government adjust the rules for the pensioner airfare concession, which currently provides for an annual flight to Perth, to allow for an equal concession to be put towards flights to Asia.

**Recommendation 24**

The Committee recommends that the Australian Government provide the necessary funding to implement a comprehensive waste management strategy on Christmas Island, including funding facilities for the incineration of organic waste and the safe removal of inorganic waste from the island.

**Recommendation 25**

The Committee recommends that the Australian Government make the Regional Price Index for the Indian Ocean Territories publicly available.



# Report on the visit to the Indian Ocean Territories

## Introduction

- 1.1 In October 2012, as part of its review of the annual report of the Department of Regional Australia, Regional Development and Local Government, the Joint Standing Committee on the National Capital and External Territories undertook a visit to Australia's Indian Ocean Territories (IOTs) – Christmas Island and the Cocos (Keeling) Islands – with a view to holding meetings and discussions with members of the local communities about matters of mutual interest, and holding inspections of various facilities and locations on the islands. This was followed up with a meeting with officers of the Department in Canberra in November 2012, and a submission from the Department dealing with questions raised by the Committee.
- 1.2 During the visit, the Committee was able to hold discussions with a range of people within the community and discuss aspects raised in the Annual Report. The Committee was also given the chance to experience the natural beauty of both locations and experience something of the challenges and rewards facing those living and working in such remote communities.
- 1.3 The Committee wishes to thank all those who participated in facilitating the Committee's visit to the IOTs. The Committee is grateful for the efforts and hospitality of the people of the islands, especially the newly appointed Administrator of the Indian Ocean Territories, his Honour Mr Jon Stanhope, and his Executive Assistant, Ms Liyana Pereira.

## The visit

- 1.4 The Committee travelled to the Cocos (Keeling) Islands on 21 October. On 22 October, the Committee travelled on the inter-island ferry to Home Island, the home of the Cocos Malay community, where it conducted public hearings and inspections. The hearings allowed a number of groups and individuals to raise matters of concern on record before the Committee (a list of organisations and individuals who gave evidence is available at Appendix D). Following the hearings, the Committee conducted a brief tour of Home Island, including visits to the Home Island Museum, Community Resource Centre and Oceania House. On 23 October, the Committee conducted inspections on West Island. The Committee visited the Community Resource Centre, the Cocos Islands District High School, the Health Centre and the Quarantine Station.
- 1.5 The Committee then travelled to Christmas Island where it conducted an inspection of the Christmas Island Immigration Reception and Processing Centre. On 24 October, the Committee witnessed the landing and initial processing of a boatload of asylum seekers. The Committee then held public hearings at the Christmas Island Court House (a list of organisations and individuals who gave evidence is available at Appendix D). In the afternoon, the Committee conducted inspections of the Christmas Island District High School, the Christmas Island Hospital and the Christmas Island National Park. The Committee returned to the mainland on the following day.

## The report

- 1.6 The report addresses the evidence presented to the Committee on a range of issues of significance to the communities in the IOTs.
- 1.7 The remainder of Chapter 1 will set out findings from the inspections carried out on the islands.
- 1.8 Chapter 2 deals with questions of governance.
- 1.9 Chapter 3 deals with issues surrounding the economic development of the IOTs, including the future of the phosphate mine, tourism and the casino.
- 1.10 Chapter 4 examines service provision, including education, health care, telecommunications, roads and shipping.
- 1.11 Chapter 5 deals with local issues on the Cocos (Keeling) Islands.
- 1.12 Chapter 6 deals with local issues on Christmas Island.

## Inspections

- 1.13 The Committee was able to visit a wide range of facilities and localities on both Christmas and Cocos, and gained an insight into the work being carried on in a range of sectors, including education, health, community, immigration and the environment.

## Education

- 1.14 The Committee had the privilege of visiting the Cocos Islands District High School and the Christmas Island District High School. The Committee was impressed by the facilities, especially the new trades training centre on Christmas Island, and staff at both schools and the clear commitment to educational excellence in these culturally diverse communities. The Committee noted the focus on managing learning in an environment in which many students come from non-English speaking and diverse backgrounds.
- 1.15 Christmas Island District High School has classes from Kindergarten to Year 12, allowing students to complete their school education on island rather than travelling to the mainland. The Cocos Islands District High School had classes from Kindergarten to Year 10, with primary school campuses on both Home Island and West Island and the high school campus on West Island. Most students travel to the mainland to complete year 12, but an increasing number are doing so through Christmas Island.
- 1.16 The Committee believes both schools are doing an excellent job for their communities and expects that the Government will ensure continued support and funding for both into the future.

## Health care

- 1.17 The Committee also inspected the facilities of the Indian Ocean Territories Health Service – the hospital on Christmas Island and the health centre on West Island. The Committee held extensive tours of both facilities and held discussions with staff. The health centre and hospital are both well-equipped facilities with highly dedicated and professional staff. They are part of a hierarchy, with the health centre being an outpost of the hospital, providing a range of clinical services and a capacity for emergency response, with more serious cases being evacuated to Christmas Island. In turn, Christmas Island is able to provide a higher range of medical and surgical services with high level care being referred to the mainland. This system works very effectively, with a tried and tested system of emergency evacuation by air.
- 1.18 As part of its visit to the Immigration Reception and Processing Centre, the Committee was able to visit the medical facilities there and discuss

their operation with senior staff. The facility provides for the treatment of asylum seekers, with more serious or specialised cases able to be referred to Christmas Island Hospital or, if necessary, evacuated to the mainland. The Committee notes that the cost of treating asylum seekers at the hospital is recouped from the Department of Immigration and Citizenship (DIAC), as is the cost of emergency evacuation. Nonetheless, the Committee was made aware of concerns that patients from the Immigration Reception and Processing Centre were placing some strain upon the human and financial resources of the Christmas Island Hospital. The Committee believes that the hospital should be resourced to manage the additional burden placed upon it by the presence of large numbers of asylum seekers on Christmas Island, and that care should be taken to ensure that the provision of services to asylum seekers is not at the expense of services for residents.

## Community

- 1.19 The Committee visited the community resource centres on both Home Island and West Island in the Cocos (Keeling) Islands. These provide accommodation for the Group Training Centre, the Parks Office (Home Island) and the Tourism Association (West Island). The Community Resources Centre on West Island provides a range of services that would otherwise be unavailable to the community, including the local community newspaper, *The Atoll*, and access to an automatic teller machine. The importance of the community resources centres to the community on the Cocos (Keeling) Islands cannot be overstated.

## Immigration

- 1.20 The Committee visited the immigration detention facilities on Christmas and Cocos, as well as witnessing the landing of asylum seekers newly arrived at Christmas Island. The visit gave the Committee first-hand experience of the magnitude of the task facing the Australian Government in dealing with the volume of arrivals, and the limitations of the available facilities.
- 1.21 The immigration facilities on Cocos are rudimentary – rooms and tents with cots in the old quarantine station – a makeshift solution to a new phase of the asylum seeker problem – direct arrivals from Sri Lanka. The Committee believes that a more permanent and better appointed facility, built to the required cyclone standards, is urgently needed.
- 1.22 At the time of the visit, conditions at the immigration facilities on Christmas Island were crowded, with families, single women and children being housed in the old construction camp at Phosphate Hill rather than the main facility.



- 1.23 The Committee was impressed with the professionalism of all involved, from departmental officers and employees of Serco, to law enforcement officers and defence personnel.

## Environment

- 1.24 The Committee had the privilege of visiting the Christmas Island National Park and discussing environmental issues with officers of the Parks Service. Christmas Island has truly unique flora and fauna and protecting this unique environment presents significant challenges. Evidence of the challenges, and the community's willingness to meet them, can be seen on road signs, fences and crossings designed to protect the Island's crabs from road traffic, and the road closures that occur during the annual migration of the Red Crabs.
- 1.25 The Committee was shown rehabilitation sites, where strips of rainforest that had been destroyed by phosphate mining were in the process of being regenerated. The Committee also saw sites where regeneration was likely to take hundreds of years due to the more or less complete removal of everything above bedrock. The Parks Service officers emphasised that the loss of canopy in sections of the island had implications for the breeding of some species of native birds. They were anxious that no further areas of rainforest be lost to mining whether inside or outside the National Park.
- 1.26 The main point brought home to the Committee, however, was the real and growing threat to the native fauna represented by invasive species, but particularly the Yellow Crazy Ant, a species which forms super colonies and preys upon anything within reach. Impacts on certain species had been catastrophic – particularly the Red Crabs, which are a key species in Christmas Island's ecology – and the ants may have been responsible for a number of extinctions.
- 1.27 The Committee is aware of the report of the Expert Working Group (EWG), led by Associate Professor Bob Beeton, on Christmas Island, which was formed in February 2009 in response to the possible extinction of the Christmas Island Pipistrelle, then expanded to examine all threats to Christmas Island's ecology. The EWG stated that 'the extremely high biodiversity values of Christmas Island are in a parlous state':

The cause is the intrinsic vulnerability of Christmas Island, as an oceanic island, to the direct impact on its biodiversity by a succession of human-related changes to the landscape and by introductions of non-indigenous species.<sup>1</sup>

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1 *Final Report of the Christmas Island Expert Working Group to the Minister for Environment Protection, Heritage and the Arts, 2010, p. 9.*

- 1.28 In response to questions by the Committee on what the Australian Government was doing to combat the threat of invasive species on Christmas Island, the Department of Regional Australia noted that:

The whole-of-government response to the expert working group's final report has been coordinated by Parks Australia, in consultation with the Department of Resources, Energy and Tourism; the Department of Agriculture, Forestry and Fisheries; the Department of Immigration and Citizenship; and the Department of Regional Australia, Local Government, Arts and Sport.

It includes a formal response to each of the expert working group's 32 wide-ranging recommendations. It analyses the implications of each recommendation and identifies lead responsibilities for actions to be undertaken. The response also emphasises the need for systematic approaches to address the island's ecological problems as well as a need for additional resources if effective recovery of the island's biodiversity is to be achieved.<sup>2</sup>

- 1.29 The Committee is of the view that as a matter of urgency the Australian Government should commit funds sufficient to carry out the recommendations of the EWG.

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### **Recommendation 1**

- 1.30 **The Committee recommends that the Australian Government, as a matter of urgency, commit sufficient funds to give effect to the recommendations of the Expert Working Group on Christmas Island, as set out in its final report.**

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2 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 17.

## Governance

- 2.1 In 2006, the Committee conducted an extensive review of the governance arrangements of the Indian Ocean Territories. The review revealed a number of anomalies in the governance arrangements. The evidence received by the Committee during and after its recent visit to the islands indicates that the governance issue remains unresolved and that islanders still find themselves caught between jurisdictions when trying to address issues. The *Indian Ocean Territories Regional Plan* said of the current governance arrangements:

This is a complex legislative and administrative arrangement that many people involved with the Administration of the Islands and the community have difficulty comprehending. It increases both the time and cost of making decisions for the Shires and DRA [Department of Regional Development, Local Government, Arts and Sport]. This is primarily because the prevailing laws and the appropriately empowered decision maker need first to be identified.<sup>1</sup>

- 2.2 Evidence taken on island highlighted a number of difficulties that arise in the IOTs resulting from their ambiguous status as external territories and the cross-jurisdictional issues that arise from the application and administration of Western Australian law as Commonwealth law.
- 2.3 Mr Tony Bagnell, director of On Island Enterprises Proprietary Limited, highlighted the confusion of jurisdictions relating to the propagation and harvesting of sea cucumbers:

It has become apparent from ongoing communication with various state and Commonwealth agencies that there is significant confusion over the jurisdiction for the administration of

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1 Regional Development Australia Midwest Gascoyne, *Indian Ocean Territories Regional Plan 2012–2017*, October 2012, p. 36.

applications for development of fisheries within Commonwealth waters for the Indian Ocean Territories. Our company identifies that our communication with the Commonwealth and state agencies with whom this type of application process has historically been administered has now been exhausted. It is now apparent that the relevant agency that has the authority to facilitate the process of administering the application for a development of a fishery within Commonwealth waters cannot be identified.<sup>2</sup>

- 2.4 Long-time Cocos resident and businessman John Clunies-Ross highlighted issues relating to the customs and quarantine status of the IOTs, and the pressures that placed on residents and businesses:

The actual basis of the environment to do business in Cocos Island is very, very shaky. You cannot export any goods without quarantine, with double stamping it. There is no quarantine officer on island. You cannot send any biologicals. If we wanted to get back to a rural program – and that is probably the only thing that would employ a large number of people; carob beans or some other agricultural product – you would have to start now with the paperwork so that my grandkids could bloody harvest the stuff, because no-one is bothering to have the environment the same as Australia.

If I have a fishing licence in Cocos Island, I cannot sell the fish to Australia as a live product. It is way too dangerous for the biosecurity guys. Economically it would not be viable to send dead crabs to Australia, because it is not premium product and you could not airfreight it. It stumps you right at the beginning. You look at the economics.<sup>3</sup>

- 2.5 Mr Clunies-Ross argued that, as a matter of equity, because he was an Australian citizen and a taxpayer, he should have the same rights of access to the Australian market as other people, and that a full biosecurity assessment of the IOTs should be done to enable this to happen.<sup>4</sup>
- 2.6 Councillor Gordon Thomson of the Shire of Christmas Island told the Committee residents were frustrated by their lack of input in the legislative process, the fact that they were governed by Western

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2 Mr Tony Bagnell, On Island Enterprises Pty Ltd, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 31.

3 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 27.

4 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 27.

Australian laws when they had no political representation in Western Australia.

Clearly, the most important services provided in our community, or in any community in Australia, are those provided by state governments – education, health and community services – and we do not have any say in those decisions. The state-type services are delivered on Christmas Island by the government of Western Australia, and we do not have a vote on who sits in the Parliament of Western Australia. Our community life and the most important aspects of it are governed by the laws of Western Australia, and we do not get to vote for a representative in that government. So that is clearly an issue for us.<sup>5</sup>

2.7 Councillor Thomson argued that the best place to make decisions affecting the island communities was in the communities themselves, and suggested moving public servants from Canberra and Perth to the IOTs as a way of building community capacity and making administrators more directly accountable to the community for their actions.<sup>6</sup>

2.8 Despite this confusion, the application of Western Australian law to the IOTs is generally seen as a positive outcome. Mr Ron Grant, General Manager of the Cocos Islands Co-operative Society, stated:

In general, having the laws of WA applied as Commonwealth law here has been extremely good. Some of the laws obviously have not been extended because they are just not relevant but at least now we have a very good legal basis, which we never had before.<sup>7</sup>

2.9 Mr Grant cited the example of the *Co-operatives Act 2009 (WA)* which replaced a Singapore ordinance dating from 1905.<sup>8</sup>

2.10 The *Indian Ocean Territories Regional Plan* also suggested that ‘increasing the responsibilities and decision making powers of the Administrator and DRA staff in the IOT and the Shires may improve transparency and efficiency’. It also suggested that ‘better and more frequent communications between the DRA and stakeholders in the IOT regarding progress on plans and the allocation of resources’ is needed. Finally, with regard to the Service Delivery Arrangements (SDAs) with Western

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5 Cr Gordon Thomson, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 5.

6 Cr Gordon Thomson, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 6.

7 Mr Ron Grant, General Manager, Cocos Islands Co-operative Society, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 13.

8 Mr Ron Grant, General Manager, Cocos Islands Co-operative Society, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 13.

Australia, the Plan argued that ‘the consultation and feedback processes in place for the review of SDAs require ongoing support to ensure that the contribution of local people and users of services is meaningful and valued’.<sup>9</sup>

- 2.11 According to the *Indian Ocean Territories Regional Plan* the absence of a strategic vision for the IOTs is also seen as an issue that needs to be addressed:

The Australian Government makes significant financial commitments to the maintenance and development of a range of services and infrastructure in the IOT. But there is no plan available to the public detailing what the community should routinely expect from the DRA in the IOT, and if the DRA achieve what they set out to do each year. A simple description of the services to be delivered by the DRA each year to the communities of the IOT and how the assets of the Government in the IOT are to be developed and managed over time would improve the accountability of the Department and the transparency of its operations.<sup>10</sup>

- 2.12 The *Indian Ocean Territories Regional Plan* stated that ‘a specific Vision for the IOT will give a clear understanding of the intentions of the Australian Government, irrespective of other political decisions regarding Australian Government programs and policies’. It continued:

The necessity for the Australian Government to set out a clear vision for the IOT is further emphasised due to it taking on responsibilities and duties normally carried by states elsewhere in Australia. What the communities in the region seek in this regard is a common tangible future.<sup>11</sup>

- 2.13 Phosphate Resources Limited (PRL) also took the view that ‘Executive Government needs to develop a vision for the future development of the [Christmas] Island if any real progress is to be made on broadening and strengthening its economic base’, and argued that this needed to be done by the ‘Executive Government – Cabinet – rather than an individual minister or government department’. PRL took this view because:

- There is no coherent overarching ‘Government’ view on the future direction of the Island, with conflicting initiatives being

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9 Regional Development Australia Midwest Gascoyne, *Indian Ocean Territories Regional Plan 2012–2017*, October 2012, p. 37.

10 Regional Development Australia Midwest Gascoyne, *Indian Ocean Territories Regional Plan 2012–2017*, October 2012, p. 37.

11 Regional Development Australia Midwest Gascoyne, *Indian Ocean Territories Regional Plan 2012–2017*, October 2012, p. 44.

taken within government and by different government departments;

- The local community has the right to know what the Government intends to do to strengthen and broaden the Island's economic base;
- The business community and potential investors need to understand if an investment proposal accords with the type of development the Government supports.<sup>12</sup>

2.14 Mr Clive Brown, Chairman of PRL, stated bluntly that the future of the IOTs could not be left to government departments – it must be decided by the Government and must be followed by all of government:

So, essentially, our view is that, if there is any genuine desire with an executive government as opposed to departments of government to see the economic base of Christmas Island strengthened and diversified, then executive government needs to define the economic policy directions for the island. It cannot be left on automatic pilot for government agencies to do. They have not done it; they will not do it. They do not agree with each other. So this has to be done. If we are to remove the policy confusion that currently exists, if we are to see investment opportunities not realised, then we would recommend that executive government develop, endorse and promote a vision for Christmas Island that provides guidance to potential investors and government agencies on the nature of the economic base government wishes to see developed for the island. That is the role of the executive and we urge the executive to take on that role.<sup>13</sup>

## Consultation fatigue

2.15 Another aspect of island governance that the Committee was alerted to was the high reliance on external consultants in addressing issues affecting the community. While the use of external experts was useful in addressing capability gaps, it also risked consultation fatigue, a lack of community input into and ownership of reports and plans, and outcomes which reflected external considerations rather than the needs and culture of the local community. Ms Patricia Power, Chairperson of Arts and Culture Christmas Island, told the Committee:

On occasions when there has been a high level of community input and hope, the final report is seemingly ignored and money is

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12 Phosphate Resources Limited, *Submission 3*, p. 2.

13 Mr Clive Brown, Chairman, Phosphate Resources Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 15.

spent on schemes that have no community ownership. For example, there was a Destination CI report in 2008, a good report, and that was the last time I can honestly say there was a wide representation of community and hope. So we have that versus the Themed Tourism and Diversitas report of 2011 which had no community ownership whatsoever. That came out of the blue.<sup>14</sup>

- 2.16 Ms Power and Ms Lisa Preston, Chairperson of the Christmas Island Tourism Association, identified a pattern of plans and reports which had cost money, led nowhere, and failed to reflect the community or place they were designed for.<sup>15</sup> Referring to the urban design plan, Ms Power stated:

On Christmas Island we participate in processes that in theory are meant to empower us but in reality leave us feeling powerless. This is the 1996 plan, which was completely ignored until we showed the consultants when they came up. For example, in the Tea Gardens area in this 1996 plan, they came out with some wonderful ideas. There were concepts there. In the back of this plan there are ideas for street lighting, seating. They wanted to identify the CLA as a cultural area. That is just an example. We will probably tweak these designs. But that is what we expected this plan would have.<sup>16</sup>

## The Department's response

- 2.17 In evidence to the Committee, the Department of Regional Australia offered the Australian Government's view of governance in the IOTs.
- 2.18 Responding to the question of whether full integration of the IOTs with Australia was still the policy of the Australian Government, and if there was a timetable or process in place to achieve integration, the Department of Regional Australia replied:

This issue was raised in relation to the 1984 United Nations resolution 'Question of the Cocos (Keeling) Islands', in which the Cocos community voted in favour of integration with Australia (the Christmas Island community has not participated in any such referendum).

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14 Ms Patricia Power, Chairperson, Arts and Culture Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 33.

15 Ms Patricia Power & Ms Lisa Preston, *Committee Hansard*, Christmas Island, 24 October 2012, p. 33.

16 Ms Patricia Power, Chairperson, Arts and Culture Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 34.



The Australian Government's objectives for the Cocos (Keeling) Islands are inscribed in the 1991 Memorandum of Understanding between the Commonwealth, the Cocos (Keeling) Islands Council and the Cocos Islands Cooperative Society, and outlines the steps to be taken jointly and separately towards the extension to the Cocos (Keeling) Islands of mainland equivalent living standards and levels of services. This policy objective is also applied to Christmas Island.

Generally, the policy objectives are to align conditions and standards in both Territories with those of comparable communities in the rest of Australia. All work and activities undertaken by the Department are consistent with these objectives.<sup>17</sup>

- 2.19 The Department noted that the 'Australian Government has no plans to incorporate the IOT into Western Australia'.<sup>18</sup>
- 2.20 The Department advised the Committee that coordination of policy on the IOTs between government departments was achieved through the Inter-Department Committee on the Indian Ocean Territories, comprising representatives of:
- Attorney-General's Department
  - Australian Customs and Border Protection
  - Australian Federal Police
  - Australian Maritime Safety Authority
  - Australian Quarantine Inspection Service
  - Department of Defence
  - Department of Broadband, Communications and the Digital Economy
  - Department of Finance and Deregulation
  - Department of Immigration & Citizenship
  - Department of Innovation, Industry, Science and Research
  - Department of the Prime Minister and Cabinet
  - Department of Resources, Energy and Tourism
  - Department of Sustainability, Environment, Water, Population and Communities
  - Department of the Treasury<sup>19</sup>
- 2.21 The role of the Inter-Departmental Committee is to:

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17 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, pp. 6–7.

18 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 7.

19 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 16.

- recommend initiatives that support the long term sustainable development of the IOT
- ensure the timely implementation of these recommendations including the budgetary impact of any proposals and the possibility of developing new policy proposals for some initiatives
- ensure implementation work is coordinated across agencies and consistent with Australian Government policies, including where existing initiatives may be underway
- identify alternative actions that achieve necessary improvements where extant recommendations are found not to be feasible.<sup>20</sup>

2.22 The Department stated that the hardships faced by residents of the IOTs with regard to access to services and markets for goods was 'a factor of the Territories' geographical, rather than their governance, status', and noted that:

The Australian Government granted an exemption from the Goods and Services Tax for the IOT and commits over \$100 million each year in the provision of services to the communities.

The Australian Government is also making significant capital investment in essential infrastructure in both Territories.<sup>21</sup>

2.23 The Department noted that the biosecurity and quarantine status of the IOTs is a matter for the Department of Agriculture, Fisheries and Forestry (DAFF). The Department informed the Committee that DAFF had 'introduced new Biosecurity Bills into Parliament' and that this legislation would apply to the IOTs.<sup>22</sup>

2.24 Responding to the issue of building capacity in the IOTs by moving public servants to the islands, the Department stated:

The Minister employs approximately 120 qualified people in the IOT to provide services to the public. Over recent years, the number of senior or specialist managers employed by the Minister in the IOT has increased. Examples include:

- the Director, IOT Administration;
- an Operations manager on Christmas Island and the Cocos (Keeling) Islands;
- an Economic Development Officer, and
- a Land, Heritage and Environment Manager.<sup>23</sup>

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20 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 16.

21 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 7.

22 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 7.

23 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 7.

- 2.25 The Department of Regional Australia also noted that the ‘Australian Government supports economic development activities on Christmas Island (and the Cocos (Keeling) Islands) by ensuring appropriate policies and programs are in place to encourage sustainable economic development in the Territory’.<sup>24</sup>

## Committee conclusions

- 2.26 The Committee notes that issues of governance and its relationship with economic development have been dealt with in two of its previous reports, *Current and future governance arrangements for the Indian Ocean Territories* (2006) and the *Inquiry into the changing economic environment in the Indian Ocean Territories* (2010). It is apparent from the evidence collected during the Committee’s most recent visit to the islands that many of the issues raised by the communities during those inquiries remain to be addressed.
- 2.27 The current governance arrangements were always intended as an interim measure.<sup>25</sup> The difficulties associated with those arrangements continue to be a source of irritation to the island communities and a brake on economic development. A way forward needs to be found.
- 2.28 To begin with, the Committee is of the view that the Australian Government needs to articulate a coherent vision for the future of the Indian Ocean Territories. At the very least, this needs to be achieved for the purposes of providing guidance to the Department, giving the Australian Government a framework in which to assess the outcomes and consequences of particular policy decisions within a broader context. The Australian Government needs to be conscious of the fact that decisions made in Canberra have a disproportionate effect on small, isolated, but strategically significant, island communities. Decisions regarding the casino licence, the phosphate mining leases and the detention of asylum seekers are proof of that.
- 2.29 The Committee notes that the Commonwealth has a special responsibility to develop and implement a future vision for the IOTs and respond to its social and economic and environmental needs as the IOTs don’t have State Government representation on which to depend to undertake this work.
- 2.30 This vision needs to articulate better governance and administrative arrangements and a greater degree of administrative autonomy. It also needs to provide clear directions for the economic development of the

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24 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 15.

25 JSCNCET, *Current and future governance arrangements for the Indian Ocean Territories*, Canberra, May 2006, p. 87.

IOTs, the provision of services, protection of the environment, and articulate how different aspects of government policy will be coordinated to produce a coherent outcome. Furthermore, this vision needs to be developed in direct consultation with the island communities. The vision needs to articulate the aspirations and needs of the island communities as well as the requirements of the Australian Government. The vision also needs to articulate the opportunities of having culturally diverse communities on the doorstep of Asia, with direct links to the countries of our near north.

- 2.31 The Committee notes the substantial annual funding provided by the Australian Government for the provision of services to the IOTs, but would like to see more transparency in the allocation of the funding to allow the communities to access the priorities of the Government.
- 2.32 Finally, the Committee is of the view that while the island communities benefit from the legislative and administrative links with Western Australia under the current governance arrangements, a formal mechanism should be put in place to allow consultation with and feedback from the island communities in relation to the application of Western Australian law to the IOTs and the negotiation and implementation of SDAs. The Committee understands in this regard, that since its visit the management of several SDAs with the Western Australian Government has been transferred to the IOTs, with the intention of enabling the agreements to become more responsive to local input.

**Recommendation 2**

- 2.33 The Committee recommends that the Australian Government formulate a vision or strategic plan in direct consultation with the island communities for the future of the IOTs. This vision will articulate:
- better governance and administrative arrangements
  - a greater degree of administrative autonomy
  - a commitment to the funding and implementation of existing strategies commissioned by the Commonwealth in respect of
    - ⇒ economic development
    - ⇒ the provision of services
    - ⇒ protection of the environment
  - the aspirations and needs of the island communities
  - how different aspects of government policy will be coordinated.

**Recommendation 3**

- 2.34 The Committee Recommends that the Australian Government develop a formal mechanism to allow consultation with and feedback from the Indian Ocean Territories' communities in relation to the application of Western Australian law to the IOTs and the negotiation and implementation of SDAs.

**Recommendation 4**

- 2.35 The Committee recommends that the Australian Government conduct a full biosecurity assessment of the IOTs.



## Economic Development

- 3.1 The need for a coherent, holistic economic strategy for the IOTs has been discussed earlier. The following section will look at the key economic drivers of the IOTs economy and different factors affecting them, including :
- mining
  - tourism
  - immigration
  - the casino.

### Phosphate mining

- 3.2 Phosphate mining has been the backbone of Christmas Island's economy for over 100 years, but the current mining operations will end in about seven years unless further mining leases are granted. The most recent application for new leases was rejected by the Government.
- 3.3 There is considerable concern within the Christmas Island community about the economic future of Christmas Island without the current staples – mining and the immigration detention centre. Mr Zainal Abdul Majid, president of the Christmas Island Islamic Council, pointed to the current uncertainties facing the community:

We strongly believe that the main economy of the island is the mine at the moment; second is the detention centre. The next alternative industry to the mine is not established yet. We are also not sure of what the next one will be, and whatever it is we do not think there will be enough there to maintain the economy of the island. A lot of the new generation are coming from the mainland back to the island to look for work. They are coming back because

of the mining and the job opportunities, and if that goes I do not know where the job opportunities will be.<sup>1</sup>

- 3.4 Ms Jeannie Ku, Treasurer of the Chinese Literary Association, also expressed concern about the future in the absence of mining. She told the Committee:

Due to uncertainty about what is happening with the mine and the detention centre, we are very worried about the future. We do not know how long the detention centre will last and the mine has only seven years to go. After that, what are we going to do?

In the absence of another main economic activity, everyone has recognised tourism, but there is very little being done to promote this industry. We have seen no improvements in tourism and tourist arrivals. The mines have brought in around \$100 million per annum. We all reckon that there is no way tourism can get near that. It probably will take at least 15 to 20 years, if tourism can bring this revenue. Can the government help give us some certainty? Maybe the government can grant the mines more leases in the absence of certainty. Who is actually doing something about our island's future?<sup>2</sup>

- 3.5 Phosphate Resources Limited (PRL) highlighted another aspect of phosphate mining – the potential for continued mining to fund environmental services. In its submission, PRL highlighted the report of the Christmas Island Expert Working Group (EWG), which examined threats to Christmas Island's ecology and biodiversity, and other aspects of conservation management.<sup>3</sup> The report makes a series of recommendations focussed on prevention, management and eradication of invasive species as the main threat to Christmas Island's unique biota. PRL notes that:

Whereas previously the cessation of mining was seen as a panacea for environmental preservation, this has clearly been debunked by the EWG. The cessation of mining tomorrow will not preserve the island's endemic species...A more sophisticated and comprehensive programme of invasive species eradication will help preserve the environmental values of the Island.<sup>4</sup>

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1 Mr Zainal Abdul Majid, President, Christmas Island Islamic Council, *Committee Hansard*, Christmas Island, 24 October 2012, p. 31.

2 Ms Jeannie Ku, Treasurer, Chinese Literary Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 36.

3 Associate Professor Bob Beeton et al., *Final Report of the Christmas Island Expert Working Group to the Minister for Environment Protection, Heritage and the Arts*, Canberra, April 2010.

4 Phosphate Resources Limited, *Submission 3*, p. 13.



- 3.6 In its evidence, PRL noted that some \$30–\$60 million will be required to carry out an island-wide recovery plan, and that this money must come from either government or the private sector. It further noted that as part of its application for additional areas of crown land for mining, the company had offered substantial funds for environmental work outside the mining lease – some \$50 million at current prices. PRL stated that despite the rejection of its application for further mining leases, the offer remained. The only alternatives were for government to fund the necessary environmental work or for the ecological integrity and biodiversity of Christmas Island to be further degraded by invasive species.<sup>5</sup>

### The Department's response

- 3.7 With regard to the mining leases, the Department of Regional Australia stated that the possibility of extending the life of the current lease had been the subject of discussion between PRL and the Government, but that the granting of new leases was another matter altogether (as noted above, a previous application had been rejected). The Department told the Committee:

As you know, the current lease expires in 2019. We are in active and productive negotiations with the mine about an extension of the life of the lease. We had two meetings over the last two months looking at that with them. We have another one scheduled in the second week of December where I am reasonably optimistic we will be able to conclude our discussions about a draft that includes an extension to the life of the lease. Those negotiations do not go into extending the size of the lease to new mine lease areas. That is a matter for the mine to decide whether or not it wants to resubmit or submit new applications for consideration.<sup>6</sup>

- 3.8 When asked if the Australian Government supported using funds from phosphate mining for environmental management of the National Park, the Department observed that 'PRL pays a conservation levy to the Australian Government for rehabilitation and conservation purposes on Christmas Island'; and that this 'work is directed to rehabilitation of high priority sites, largely within the National Park'.<sup>7</sup>

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5 Mr Clive Brown, Chairman, Phosphate Resources Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 16.

6 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 2.

7 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 17.

## Tourism

- 3.9 Tourism is seen as one of the cornerstones of future economic development in the IOTs. The economic potential of tourism in these exotic and beautiful locations is real, but there are caveats to this potential. In its submission, the Christmas Island Tourism Association (CITA) emphasised that 'tourism cannot replace the economic contribution of immigration activities and mining, and other industries are needed to transition to a diversified post-mining and reduced-immigration economy'.<sup>8</sup>
- 3.10 PRL also rejected tourism as a panacea for Christmas Island. PRL's submission stated:
- A very preliminary investigation carried out by the Company suggests that it is no easy task to grow the tourism industry on remote small islands which, by the very nature of their isolation, are expensive compared to easier to reach destinations...
- Additionally, it also appears that even vibrant tourism industries on other islands do not support a large permanent population.<sup>9</sup>
- 3.11 PRL recommended that the Australian Government 'commission an independent economic analysis to assess the prospects of expanding the tourism industry on Christmas Island, having regard to the opportunities and challenges faced by the tourism industry on other comparable (or relatively comparable) islands'.<sup>10</sup>
- 3.12 Nonetheless, tourism is important to the economic development of both Christmas Island and the Cocos (Keeling) Islands. Vital to both is reliability of the air service to the IOTs. Concerns were raised with the Committee about the potential disruption to tourism unless the air services contract is settled well in advance. Mrs Julianne Bush, marketing manager for the Cocos (Keeling) Islands Tourism Association, explained to the Committee that:
- ...tourism needs to be given some consideration when those contractual negotiations occur between the government and the future airline contractor, given that the tourism industry works with a lead time of 18 months to two years when it comes to booking product and putting product out there in the marketplace

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8 Christmas Island Tourism Association, *Submission 4*, p. 3.

9 Phosphate Resources Limited, *Submission 3*, p. 11.

10 Phosphate Resources Limited, *Submission 3*, p. 12.

if we are looking at an international as well as national marketplace.<sup>11</sup>

- 3.13 Mrs Bush also highlighted the need for a regional approach to tourism in the IOTs, between the Cocos (Keeling) Islands and Christmas Island, and then, beyond that, with Western Australia. She told the Committee:

The first step for us and for Christmas is to come together and start to look at a regional tourism organisation structure. That has definitely been in a lot of strategic plans that have been put out through government reports and the shire and the like. So a regional tourism organisation, yes. We would like to think that we could maybe achieve that within the next two to five years, and I think that would be a big step forward for both Cocos and Christmas. Then you are looking at the two tourism associations still existing, but more at a visitor servicing level. Then you have a regional tourism organisation which then takes on the role of the destination marketing. Then you have the funds that can be funnelled straight through and hopefully more resources dedicated to the marketing and definitely, then, the linkages through to a state tourism organisation, through an SDA. Negotiating an SDA with Tourism WA was tried; however, that was a couple of years ago. We are now within the time frame where you can reapply for an SDA – we are now up to the level where we can start to relook at that. But yes, there would definitely be some great linkages for that to happen.<sup>12</sup>

- 3.14 Another cause for concern was the potential disruption to passengers caused by lack of aviation fuel. Ms Lisa Preston, Chairperson of CITA, explained:

Passengers and/or baggage are being offloaded and schedules disrupted due to the lack of aviation fuel. This is particularly detrimental to tourism. We are aware that the Australian government plans to increase storage by early 2014, but this does not resolve the issue now. In the meantime, increasing temporary storage and improving the alternative port facility at Ma Chor Nui Nui may minimise the risk of running out of aviation fuel.<sup>13</sup>

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11 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 15.

12 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 17.

13 Ms Lisa Preston, Chairperson, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 19.

- 3.15 Mrs Bush gave an example of the direct impact of the fuel problem on the respective tourism associations – the loss of a tourism trainer offloaded from a flight:

Due to the fact that they had excess baggage for DIAC and Serco put on that Virgin flight and to the fact that they had to take extra fuel on in Port Hedland – in the event that they had to fly on to Jakarta – people had to be offloaded from that flight. It just happened that one of them was the trainer we – the two tourism associations – had paid for with that package. She was offloaded and we did not have enough time to argue it. I was prepared to stay off that flight so that she could get on it – because I would have been up there on Thursday and would just have missed a day of training – but it was not going to happen. She was offloaded, so we had to cancel that training. We also then cancelled the flight Kerenda and Dieter were on from Cocos to Christmas. For two small associations that are working very hard for the sustainability of the islands and representing tour operators – because essentially we are a not-for-profit marketing and visitor-servicing organisation, working for the benefit of our members – that is a huge kick in the teeth.<sup>14</sup>

- 3.16 Ms Preston also highlighted the importance of the northern air link to the development of tourism. CITA ‘encourages all stakeholders to examine the options to secure a regular air route with Asia’.<sup>15</sup>

- 3.17 The availability of beds, or lack thereof, is also seen as a constraint on the development of tourism. Ms Preston argued the need for a range of accommodation types and sizes. She urged all stakeholders to expedite an outcome for two tourism developments currently proposed which have been stalled for some time. She also called for further development of the Christmas Island National Park as a tourism asset, with ‘further investment and innovation in visitor services, including trails accommodation, and conservation educational tourism’.<sup>16</sup>

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14 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 15.

15 Ms Lisa Preston, Chairperson, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 19.

16 Ms Lisa Preston, Chairperson, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 19.

## Immigration

- 3.18 The impact of immigration on the IOTs communities has been highlighted in the evidence presented to the Committee, particularly the perceived impact on the IOTs as a tourism destination.
- 3.19 In its submission, CITA noted that ‘immigration activities continue to place pressure on services and people, generate negative press and devalue the input of tourism to the economy and community’.<sup>17</sup>
- 3.20 However, CITA also acknowledged that immigration was underpinning services such as the air service. CITA feared that a decline in immigration activity would also cause a decline in the frequency of air services, with consequent impacts on tourism.<sup>18</sup>
- 3.21 Similar concerns about the impact of immigration upon tourism were expressed by residents of the Cocos (Keeling) Islands. Mr Peter Clarke, CEO of the Shire of Cocos (Keeling) Islands, told the Committee:
- ...the Shire of Cocos (Keeling) Islands, together with the Cocos (Keeling) Islands Tourism Association and the Cocos community, have been proactively promoting the islands as a tourist destination. When paying passengers are forced to share flights with asylum seekers it does not send the right message to potential customers and damages the islands as a marketable destination<sup>19</sup>
- 3.22 Mrs Bush also highlighted the impact of asylum seekers on tourism in the IOTs, stating:
- We have seen what has happened on Christmas Island with the impact that it has had on their tourism industry with reducing numbers and their having to work very hard to attract the people that they do to their island. With the onset of the asylum seeker arrivals, we have had concerns from potential and booked passengers coming to the island ringing up accommodation providers confirming that it is not going to impact on their holiday to Cocos. There are anecdotal incidences of that.<sup>20</sup>
- 3.23 Mr Clunies-Ross emphasised the impact of immigration on tourism operators outside the accommodation sector – the loss of business to operators relying on tourism rather than government for their business:

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17 Christmas Island Tourism Association, *Submission 4*, p. 1.

18 Christmas Island Tourism Association, *Submission 4*, p. 3.

19 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 2.

20 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 15.

...the movement of federal personnel onto the island is having huge impacts on secondary tourism. I am not talking about the guys with the rooms and stuff like that. It is the guys with the glass-bottomed boats and the guys who are doing the fishing charters. No government servant employs them. They do their job and piss off. They might come to the pub and have a couple of beers but they are not here for a holiday, and as soon as their job is finished they are flown off. They are taking up the beds of the people who would be hiring the glass-bottomed boat and would be doing the secondary tourism things...That is an impact on the place.<sup>21</sup>

## The Department's response

- 3.24 In evidence to the Committee, the Department of Regional Australia stated that tourism is an integral part of a diversified economy on Christmas Island. It noted that, 'if successful, tourism will foster local business opportunities and protect the natural and cultural assets of the island'.<sup>22</sup> While acknowledging that immigration related activities and phosphate mining were currently economically more important than tourism, the Department stated that the 'Australian Government would like tourism to improve its contribution to the Christmas Island economy'. However, the Department also acknowledged restraining factors, 'such as limited availability of accommodation and the need to improve the tourism product'.<sup>23</sup>
- 3.25 The Department noted that the Australian Government had allocated funds to the Christmas Island Tourism Association 'to undertake certain functions to benefit the Christmas Island tourism industry, such as marketing, promotion and coordination', and had contributed directly to a number of projects, such as:
- the Gaze Road Tourism and Commercial Precinct Urban Design Master Plan
  - an Australian Geographic documentary on Christmas Island and Cocos (Keeling) Islands
  - providing deep sea-moorings to enable cruise ship berthing
  - the proposed extension of the Flying Fish Cove jetty.<sup>24</sup>

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21 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 28.

22 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 18.

23 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 18.

24 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, pp. 18-19.

- 3.26 The Australian Government also underwrites the airline service between Australia and the IOTs.<sup>25</sup>
- 3.27 The Department acknowledged the various impacts of immigration activities on the tourism sector, such as use of accommodation, flights and car-hire otherwise needed by the tourism sector, and the negative impact on the tourism brand in the IOTs. It also noted that immigration activities had boosted the demand for accommodation, contributing to the refurbishment and reopening of the Christmas Island Resort, which 'sizeable facility will provide much needed additional accommodation for tourism when the immigration demand reduces'.<sup>26</sup> The Department has commissioned a socio-economic assessment of the impact of immigration activities upon Christmas Island. This report 'will be used, with other reports, as part of a deliberative process to inform government policy in relation to the IOT'.<sup>27</sup>
- 3.28 With regard to the offload of passengers and freight from flights, the Department noted that on occasion payload may be offloaded to take sufficient fuel to meet operational requirements, to meet the contingencies of weather or other diversions. The decision to offload was the operational responsibility of the airline.<sup>28</sup>
- 3.29 With regard to the air link to Asia, the Department noted that there is a weekly air charter between Christmas Island and Kuala Lumpur. It is a regular service, but subject to cancellation. The service is a commercial venture and the Department is not privy to its financial status. The Australian Government's policy 'does not support underwriting or subsidising international flights', but landing charges have been waived to support the financial viability of these flights. The Department noted that the 'inability to book seats on-line may be to the detriment of the service'.<sup>29</sup>
- 3.30 The Department of Regional Australia noted that Tourism WA had declined to take on the function of promoting the IOTs because it was obliged by legislation to promote Western Australia. DRA also noted that the 'responsibility for promoting tourism in the IOT rests with the Christmas Island Tourism Association and the Cocos (Keeling) Island

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25 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 19.

26 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 19.

27 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 19.

28 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 1.

29 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, pp. 22-3.

Tourism Association, both of which are funded by the Australian Government'.<sup>30</sup>

- 3.31 The Department also questioned the need for further economic analysis of the tourism industry in the IOTs, stating:

In 2012, the Department contributed funding to an economic analysis of Christmas Island as a tourist destination, commissioned by the RDA Mid-West Gascoyne. The project had the support of the then Administrator and Economic Development Consultative Group and sections of the community.

The Department funded the 2008 Destinations: Christmas Island Report. The report was developed through a community workshop and provided a range of strategies to develop tourism on Christmas Island.<sup>31</sup>

## The Casino

- 3.32 The Christmas Island Resort is seeking to reopen the casino operations which were at the heart of the resort. Resort owner, Mr David Kwon, advised the Committee that:

When we purchased the casino [May 2000], we understood that we would be given a licence by the government. But so far we do not have it. We want to facilitate this as quickly as possible so we can provide better opportunities for not only individuals but the whole community to enjoy, including other industry. We would like the government to consider seriously speeding up and facilitating this casino licence. That is my request to government.<sup>32</sup>

- 3.33 Putting the case for the casino, Mr Michael Asims emphasised the benefits the casino had brought to the community during the 1990s in terms of employment, income, flights and airfares:

The casino operated between 1993 and 1998, for just under five years. During that period, the casino employed no fewer than 350 people at any given time, with the maximum being 395 people.

The payroll into the community was \$950,000 a fortnight.

Importantly, this did not only benefit the island. The casino also provided all the air links in and out of the island, including to and from Perth. Not only did it service Christmas Island and Perth but it also serviced Cocos Keeling and Perth. This was a casino aircraft

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30 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 4.

31 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 17.

32 Mr Davis Kwon, Managing Director and Owner, Soft Star Pty Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 24.



which flew to Perth three times a week, to Singapore three times a week and to Jakarta daily. There were additional charter flights to Jakarta because the casino was a purpose-built facility for the Indonesian high-roller market, and Indonesia is only 50 minutes away from here.<sup>33</sup>

3.34 Mr Asims emphasised the benefits for other tourism operators as well:

During that period, tourism also benefitted because the casino was able to bring unit costs down. It brought down unit costs in terms of airfares and accommodation, and there were people who, encouraged by the casino, and invested money here. For example, the Mango Tree was built just after the casino opened because they could see the benefit of flow-on business from the casino. Other people also invested money here. There were several fishing charter operators and diving operators. The casino could have done that. We could have provided all the charters for diving and for fishing, but we did not want to do that because it was good business to facilitate other people developing their own businesses and surviving, thriving and prospering on the back of the casino operation.<sup>34</sup>

3.35 The future vision for the casino is to ‘create the same platform that the casino provided previously for people to develop their own businesses, for investment to happen and for people to take advantage of the same infrastructure’. The casino would provide the same benefits – ‘namely, the aircraft, cheaper airfares, more frequency and many other things’. It is the intention of the owners of the resort to ‘ask the Commonwealth to consider seriously giving us the green light to reopen the casino, to attract investment and to start doing things now’. It is regarded as vital that the casino proceed as soon as possible, that people ‘not wait until the immigration contract collapses or everything else stops, because that would be too late’.<sup>35</sup>

3.36 The Committee found widespread support for the reopening of the Christmas Island Casino in the community. Cr Thomson believed the ‘economic benefits would be fantastic’:

When the casino was operating in the nineties, it was a vital second engine of our economy. Things were humming. We have

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33 Mr Michael Asims, Advisor, Soft Star Pty Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 24.

34 Mr Michael Asims, Advisor, Soft Star Pty Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 24.

35 Mr Michael Asims, Advisor, Soft Star Pty Ltd, *Committee Hansard*, Christmas Island, 24 October 2012, p. 25.

had a mine here for 100 years. The culture and everything is built around that. But, when the casino was operating, it was very important. The facility itself, if it is operating to full capacity and with the casino licence, will provide an essential foundation for our tourism industry to develop. Many people comment that we do not actually have a tourism industry here, but all of our planning since the nineties, in anticipation of the closure of the mine, has put a huge emphasis on tourism being the future of the island.<sup>36</sup>

3.37 However, in its submission, CITA cautioned that the reopening of the Casino was not a panacea for the Island's tourism industry. CITA noted that the operation of the Casino between 1994 and 1998 had not translated into 'longevity or sustainability for the tourism industry and was not able to underpin other developments'. CITA argued that relying on one product or operator to underpin tourism was unwise, and that while the resort/casino might offer a saleable product and support for conferences and events, 'care must be taken to ensure that the development of tourism is not stalled pending consideration of a license nor cease if a license is granted'. CITA expected that 'the social and economic impacts, a cost benefit analysis and thorough community consultation would occur as part of any assessment process for granting a license'.<sup>37</sup> CITA saw the casino as one part of a diversified tourism economy, in which tourism was one part of a diversified economy.<sup>38</sup>

3.38 PRL also urged a degree of caution, stating that it 'is not known how successful the reopened casino might be', but that 'there is little point any potential operator undertaking the requisite feasibility studies if the government is unwilling to grant a licence'. PRL recommended that the Australian Government give in-principle support to the reopening of the Christmas Island Casino and allow the operator to test the commercial risk:

The Company's view is that it would be prudent for government to make an in principle decision about allowing the casino to reopen. An in principle decision will enable potential operators to assess the prospects of success and provide the government with whatever information is required to obtain a licence. An in principle decision supporting the reopening of the casino could

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36 Cr Gordon Thomson, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 8.

37 Christmas Island Tourism Association, *Submission 4*, p. 6.

38 Ms Lisa Preston, Chairperson, Christmas Island Tourism Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 21.

offset expected falls in immigration personnel as the offshore processing of refugees comes into effect.<sup>39</sup>

- 3.39 Alternatively, PRL suggested that if the Government was not willing to give a decision in favour of the casino, it should explicitly state this and 'stop the conjecture on the island about this possibility being the saviour of the island's economic base'.<sup>40</sup>

## The Department's response

- 3.40 On the question of the casino, the Department of Regional Australia advised the Committee that there is currently legislation that prohibits the operation of a casino on Christmas Island, but that the Government would be receptive to any proposals.<sup>41</sup> The Department noted that in June and July 2012, the Minister had received correspondence regarding the casino and that he had replied to the effect that he would be willing to consider a preliminary concept proposal for casino operations and had provided an indicative list of information required (see Appendix A).<sup>42</sup> There had, to date, been no formal request regarding the granting of a casino licence.<sup>43</sup> The Department also advised that it had been involved in informal discussions with the owner of the Christmas Island Resort about the possible opening of the casino, stating:

We have had a number of informal discussions with Mr Kwon about what he is thinking about. He has not submitted a formal proposal for a casino on Christmas Island...

In our informal discussions with him we have talked about issues around how a proposal might need to cover things like social impact and the potential for harm minimisation. These are things very similar to what Minister Crean discussed in community meetings on Christmas Island when the issue was raised with him. We have not given a formal response at this stage to the people

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39 Phosphate Resources Limited, *Submission 3*, p. 10.

40 Phosphate Resources Limited, *Submission 3*, p. 10.

41 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 2.

42 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 25.

43 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 2.

who have made representations, because that is being considered by the minister.<sup>44</sup>

## Committee conclusions

- 3.41 The Committee is conscious of the difficulties surrounding the economic development of the Indian Ocean Territories. The three main drivers of the economy on Christmas Island – mining, immigration and tourism – are not mutually complementary. Indeed, mining and immigration compete with tourism for resources and detract from the IOTs' image as a tourist destination. On the other hand, mining and immigration currently make a much larger contribution to the economy than tourism, but neither will continue indefinitely.
- 3.42 Cocos is heavily reliant on the provision of government services for much of its economic activity. As on Christmas Island, tourism is seen as the way forward; but, as on Christmas Island, that potential is far from being fully realised.
- 3.43 Clearly, some sort of long term plan needs to be put in place to transition the economy of the IOTs from its current situation, heavily reliant on mining or government activity, to one based on sustainable private sector activity. This strategy needs to be formulated by the Australian Government, in conjunction with the local communities – and the Australian Government needs to commit to implementing the strategy.
- 3.44 The Australian Government has a disproportionate level of influence in the economic fortunes of the IOTs, whether in the form of approving or rejecting licenses to the principle private industry – mining; approving or denying a casino licence; or overwhelming other forms of economic activity for its own requirements – immigration. Clearly, no meaningful economic development can take place in the IOTs without the Australian Government making a meaningful contribution to the outcome and taking a constructive role in the transition to new forms of economic activity. Like other external territories, Australia's 'entitlement' to sovereignty over the IOTs must in part rest on its ability to demonstrate that it can protect, defend and develop those territories in the interests of the inhabitants.
- 3.45 In this vein, the Committee is of the view that phosphate mining should continue on Christmas Island until viable alternative forms of economic activity have been put in place. The people of Christmas Island remain heavily dependent on the mine as a source of income and employment.

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44 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 5.

While that continues to be the case, and while mining remains economically viable, ways should be found to extend the life of existing mining leases and release new mining leases without undue harm to the environment. Given strict environmental controls of the type currently in place, this should be achievable. It will also have the benefit of providing funds for the environmental management of the National Park, funds that are desperately required to manage the impact of invasive species, especially Yellow Crazy Ants.

- 3.46 Tourism is seen by many as the industry of the future, but there are some qualifications on that view. It should be seen as an important part of a suite of sustainable activities. Moreover, there is widespread recognition of the need for increased investment in tourism infrastructure and facilities, greater certainty of access by air, and an overall strategic plan. Such a plan must take account of how the impacts of competition from other sectors – especially immigration services – will be managed and mitigated.
- 3.47 Given the potential importance of tourism to the economy of the IOTs, and the challenges faced by the tourism sector in the IOTs, the Committee is of the view that the Australian Government must actively engage with the sector in the development of a tourism strategy within the context of an overall economic development strategy. This must include maintaining and improving air services into the long term, and improving facilities through strategic investment. The Committee believes that the policy of not subsidising flights to Asia is to the detriment of the communities, and should be reconsidered.
- 3.48 The Committee also supports in principle the reopening of the Christmas Island Casino. While recognising that the Christmas Island Resort must make a business case for reopening the facility, and that the necessary legal framework must be put in place, the Committee cannot see any reason for the Australian Government not to facilitate this venture, especially as the commercial risk falls entirely on the proponents. The potential benefits to Christmas Island if the casino succeeds are considerable; the probable outcome of failure is merely a return to the status quo.

**Recommendation 5**

- 3.49 The Committee recommends that the Australian Government develop and commit to an economic strategy for the Indian Ocean Territories to transition the economy of the IOTs from its current situation, heavily reliant on a mining or government activity, to one based on sustainable private sector activity. This strategy is to be formulated by the Australian Government in conjunction with the local communities.

**Recommendation 6**

- 3.50 The Committee recommends that as part of its overall economic strategy for the Indian Ocean Territories and in the context of creating environmental management investment, the Australian Government commit to the extension of the current mining leases and re-examine new mining leases on Christmas Island.

**Recommendation 7**

- 3.51 The Committee recommends that as part of its overall economic strategy for the Indian Ocean Territories, the Australian Government commit to the implementation of existing strategies commissioned by the Commonwealth to develop tourism in the Indian Ocean Territories, and develop long term arrangements to secure air services, including subsidising flights to Asia, and improve tourism-related infrastructure and facilities.

**Recommendation 8**

- 3.52 The Committee recommends that the Australian Government commit to the reopening of the casino on Christmas Island and that it facilitate the approval process to allow this to happen if a proposal comes forward.

## Service provision

- 4.1 In the evidence received by the Committee, concerns were raised about the provision of services, including
- Telecommunications
  - Roads
  - Shipping.

### Telecommunications

- 4.2 Access to telecommunications has been a longstanding issue in the IOTs. The people of the IOTs are conscious of the potential benefits that improved phone and internet services can bring to isolated communities, doing much to reduce that isolation. There is concern, however, that that potential is not being realised. In evidence to the Committee, the Shire of Christmas Island noted as an example that:

...the Commonwealth has recently upgraded the computer system in the Motor Vehicle Registry which is operated by the Shire. This upgraded service links to WA Department of Transport databases on the mainland. However to date, there has been significant frustration and delays to customers due to the speed and reliability of the data link.<sup>1</sup>

- 4.3 The Shire also pressed for an upgrade to the mobile telecommunications network on Christmas Island, noting that:

...the Shire and a number of Commonwealth service functions on island [have] recently installed the same asset management and maintenance system. One key feature of this system is the ability to take the management system mobile with a potential to improve delivery of maintenance services and ultimately improve

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1 Shire of Christmas Island, *Submission 2*, p. 4.

the quality and lifespan of community assets. However the existing mobile phone network simply does not have the capability to support these system features which limits the ability of the system to reach its fullest potential.<sup>2</sup>

- 4.4 CITA also impressed upon the Committee the need for a better telecommunications service, particularly mobile phone access, as part of the overall tourism strategy:

With the increased engagement in social media and online delivery of services by CITA there is an increased need for effective broadband. The global proliferation of smart phones and the desire for visitors to be instantly connected with friends, family and workplaces highlights the need for effective telecommunication networks.<sup>3</sup>

- 4.5 CITA acknowledged the role of the National Broadband Network (NBN) in addressing this issue, but the NBN would not provide access to 3G/4G phone networks:

A strategy to access these commercial networks needs to be developed. This would not only benefit tourism but also the broader community and help in the attraction of knowledge based industries to Christmas Island.<sup>4</sup>

## The Department's response

- 4.6 The Department of Regional Australia noted that Christmas Island has full STD access from the Australian mainland and that the Telstra GSM mobile network operates in Christmas Island. Internet access is provided by the Christmas Island Internet Association, via satellite transmission. The Department stated that the National Broadband Network would be available in the IOTs from 2015 using satellite technology and give the IOT's community access to improved, high-speed broadband.<sup>5</sup>
- 4.7 The Department noted that mobile telephony was a matter for the private sector, and that while the Department would like to see an improved system, it did not agree with the proposition that the current limitation on mobile phone access was damaging tourism.<sup>6</sup>

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2 Shire of Christmas Island, *Submission 2*, p. 4.

3 Christmas Island Tourism Association, *Submission 4*, p. 5.

4 Christmas Island Tourism Association, *Submission 4*, p. 5.

5 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 12.

6 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 12.



## Roads

- 4.8 In its evidence to the Committee, the Shire of Christmas Island highlighted difficulties with road funding. The Shire noted that funding was granted on an annual basis, that unused funds from one financial year had to be applied for again, that funding was often not confirmed until well into the next financial year, and that major road works on Christmas Island were restricted by seasonal constraints. This created a vicious cycle where funds could not be used in one year, were returned to government, then granted again too late to be used the following year. The Shire urged a more flexible system with longer grant periods, rolling funding, and a greater degree of local discretion upon when and where the funds would be used.<sup>7</sup>
- 4.9 The Shire was also concerned that funding for dual use pathways may have dropped from the Government's agenda because of the lag between the approval of the funding (2008) and the commencement of work (2012). The Shire suggested that the funding be granted over five years, rather than the original three, and that this would be 'more favourable than removing the overall commitment to the project'.<sup>8</sup>
- 4.10 The Shire also requested a commitment of funding for sealing the road to the Immigration Reception and Processing Centre (IRPC), noting that the significant increase in traffic to the Centre had increased maintenance requirements on that road and was drawing resources from maintenance requirements elsewhere. The Shire also noted that given the scale of the IRPC, a sealed road should have been part of the original construction project.<sup>9</sup>

## The Department's response

- 4.11 In response to the Committee, the Department of Regional Australia noted that road funding on Christmas Island is provided from the following sources:
- The Financial Assistance Grants payment to the Shire of Christmas Island (SOCI) includes a road component. In 2012-13 this component amounted to \$367,297.
  - The Australian Government provides additional funding to SOCI for public roads outside the settled area. In 2012-13 the first tranche amounted to \$724,927 with a review after Additional Estimates.

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7 Shire of Christmas Island, *Submission 2*, pp. 1-2.

8 Shire of Christmas Island, *Submission 2*, p. 2.

9 Shire of Christmas Island, *Submission 2*, p. 3.

- Christmas Island Phosphates Ltd. funds mine roads and provides in-kind support to SOCI for work on public roads it uses.
  - Parks Australia undertakes maintenance of roads in the National Park. Some of these roads are also maintained by SOCI as public roads.<sup>10</sup>
- 4.12 The Department stated that the 'Australian Government uses multi-year funding agreements and contracts where appropriate',<sup>11</sup> without indicating whether the situation on Christmas Island met the definition of 'appropriate'.
- 4.13 Regarding funding for the dual-use pathways, the Department stated:  
 Funding of \$345,000 was provided to SOCI in August 2010 to commence Phase 1 of the Dual User Pathways of which \$131,245 was not expended. The Department approved a Business Case for this underspend from SOCI to be used on the next phase of the dual-use pathways project, and work commenced in February 2012.  
 The Department has requested that SOCI provide acquittals for these funds after which funding may be sought for further phases.<sup>12</sup>
- 4.14 The Department stated that 'there are currently no plans to seal the road to the Detention Centre', and that:  
 A feasibility study commissioned by the Department in 2011 to seal the road from Settlement to the Immigration Detention Centre was estimated at over \$18 million. The Australian Government decided not to proceed.<sup>13</sup>
- 4.15 The Committee notes that this is only one estimate of the cost of sealing the road, and that other options for sealing based on different assumptions and requirements may be available.

## Shipping

- 4.16 Mr Clunies-Ross raised the cost of shipping as a major concern to the community, as it represented a significant cost on everything in the community – 'thirty per cent of all capital infrastructure is shipping'. He stated that freight costs to island were high – \$12,000 for a freezer container and \$8000-\$9000 for a normal container – and increasing at a

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10 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 11.

11 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 11.

12 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 11.

13 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 12.

time when volumes to the islands were increasing and the 'worldwide cost of shipping has halved over 20 years'.<sup>14</sup> He saw a role for the Commonwealth, as the major shipping customer to the islands, to play a role in bringing shipping costs down:

In this instance the Commonwealth is part of the business community. They have the largest housing base, they have the largest asset base, they are the largest landowner other than the shire on Christmas Island, they employ the most people and they ship more stuff than anyone else, but they refuse to get involved in the service delivery of shipping. They say, 'We will not interfere with the private sector.' But that does not allow any one of us then to create a cartel big enough to interest another ship because we do not have the Commonwealth cargo. The Commonwealth is the biggest player and without them coming to the table we cannot use any muscle on the guys providing the service now. The Commonwealth needs to move with the local businesses, and if they do not want to play they have to follow the local businesses. But they say, 'No, we're happy with the service.'<sup>15</sup>

4.17 He further noted problems with the regularity of the shipping service, which placed a strain on businesses in terms of ordering stock and providing storage:

I think we got six voyages last year, which is two months. Some of them were within five weeks. So you understand there was a big gap between others. This is probably leading onto another issue and that is that the cost to a community when you do not have a regular service is inordinate. We were carrying maybe \$120,000 worth of stock for the club that I am president of. Now we carry over \$300,000 worth of stock to service the same community. The storage is an issue, because the ship might be five weeks, but it could be nine or 10. So you have to carry the stock for the longest expected period. Then you have issues with ageing of stock and so on and so on. But the actual cost of buying and storing for a small business – we have got a pub that serves grog to 100 people and we have got \$350,000 worth of stock.<sup>16</sup>

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14 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 25.

15 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 25.

16 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 26.

## The Department's response

4.18 In evidence presented to the Committee, the Department of Regional Australia noted that:

Shipping goods to the Cocos (Keeling) Islands is a commercial operation. As at December 2012, the operator, Zentner Shipping, advises that its rates are:

- \$11,080.00 per 20ft GP container, or
- \$445.00 per cubic metre for less than a container, plus
- A documentation fee of \$250.00 per container, or \$25.00 for smaller consignments.<sup>17</sup>

4.19 The Department also noted that the:

Regularity of the shipping service to the Cocos (Keeling) Islands is largely the responsibility of the operator, Zentner Shipping Pty. Ltd., which has provided a commercially viable service for many years. Some interruption to services is inevitable due to the impact of weather and mechanical breakdown. The Australian Government underwrites the weekly air freight service to improve community access to fresh fruit and vegetables and other goods.<sup>18</sup>

4.20 The Department advised that 'shipping costs are a function of the market', and that the Australian Government already provides significant support through the provision of port facilities below operating costs and investment in infrastructure, such as the Rumah Baru port facility. The Department also stated that the shipping service to the IOTs 'is unregulated and further intervention by the Australian Government is not appropriate'.<sup>19</sup>

## Committee Conclusions

4.21 The Committee welcomes the Australian Government's commitment to improved telecommunications services in the IOTs through the roll-out of new satellite services under the National Broadband Network. Nonetheless, the Committee got first-hand experience of the limitations of telecommunications in the IOTs, particularly on Cocos, and believes that the Government should commit to extending and upgrading mobile telecommunication services, for the benefit of the local communities and visitors. The services to the IOTs should reflect at least the same level of service enjoyed by similar sized remote communities on mainland Australia.

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17 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 5.

18 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 6.

19 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 5.

- 4.22 The Committee also supports greater certainty in the provision of funding for roads. The twelve month funding cycle is presenting problems which are difficult to resolve given the timing of funding decisions and the seasonal monsoon. The need for funding to be delivered on a more than annual basis, with capacity to roll funding over from one year to the next, is clear. The Committee also agrees that the Australian Government should commit funding to the sealing of the road to the Immigration Reception and Processing Centre as a matter of priority.
- 4.23 The Committee is concerned about the Australian Government's position on the shipping arrangements in the IOTs. As the largest single user of the shipping services, the Australian Government dominates the market and therefore must inevitably influence the operation of that market. In the interests of other users of the shipping services, the Australian Government should be prepared to use its position to achieve the most cost effective outcome for the communities in the IOTs.

### **Recommendation 9**

- 4.24 **The Committee recommends that the Australian Government commit to extending and upgrading mobile telephone services in the Indian Ocean Territories to provide access to 3G/4G telephone services.**

### **Recommendation 10**

- 4.25 **The Committee recommends that the Australian Government provide road funding to the Indian Ocean Territories on a more flexible basis, with longer grant periods, rolling funding, and more local discretion upon how the funds are used.**

### **Recommendation 11**

- 4.26 **The Committee recommends that the Australian Government commit funds to the sealing of the road to the Immigration Reception and Processing Centre as a matter of priority.**

**Recommendation 12**

- 4.27     **The Committee recommends that the Australian Government review its policy towards shipping of freight by plane and ship to the Indian Ocean Territories with a view to leveraging off Commonwealth efficiencies to find the most cost effective outcome for the communities in the IOTs.**

## Local issues—Cocos (Keeling) Islands

### Shire of Cocos (Keeling) Islands

- 5.1 The Shire of Cocos (Keeling) Islands raised a number of issues with the Committee:
- Funding for the design and construction of the West Island community recreation centre
  - A cyclone contingency plan for DIAC
  - Placing of asylum seekers on regular passenger flights
  - The cost of property insurance on the islands
  - Waste management
  - Coastal erosion
  - The future of the quarantine station
  - Trades training opportunities.

### Recreation centre and cyclone shelter

- 5.2 The Shire expressed concern that funding for the design and construction of the West Island community recreation centre had not been made available – despite funds initially being earmarked for the facility. The centre was needed as a venue for indoor sports and social functions, potentially as short-term accommodation for asylum seekers, and as a cyclone shelter. This last point was especially significant given the limitations of the current facility (the Cocos Club) as a cyclone shelter and a venue for housing asylum seekers (they are now housed at the quarantine station). This, in turn, raised the question of cyclone

contingency planning by DIAC, given the inadequacy of existing facilities and the potential for asylum seekers to be on island during a cyclone.<sup>1</sup>

- 5.3 In response, DRA noted that the initial tender for the recreation centre had failed to receive any compliant bids, and that the funds for the centre had been returned to general revenue. The Government had not yet considered further funding.<sup>2</sup> DIAC was responsible for the cyclone contingency plan for asylum seekers. DRA explained:

In terms of Immigration's plans you should refer to them for their detailed thinking on the operations of the Q station. We have made available to them the laboratory building. I understand they have had an engineer look at it to give them advice on its suitability as a shelter. I do not have the results of that work; that would need to be asked of them. I understand that their intention is to fly people out as soon as possible but the potential for a cyclone to affect that was the reason we suggested to them that they look at the laboratory building.<sup>3</sup>

### Asylum seekers on flights

- 5.4 The Shire was also concerned about asylum seekers being placed on regular passenger flights. This practice had met with complaints from locals and visitors as paying passengers, and was seen as detrimental to the image of the islands as a tourist destination.<sup>4</sup> This view was supported by the Cocos (Keeling) Islands Tourism Association, who also raised the issue of passengers being off-loaded from scheduled flights because of weight restrictions related to fuel requirements and excess baggage carried by DIAC and Serco.<sup>5</sup> Nonetheless, the Committee was assured that there were no safety or security concerns about asylum seekers travelling on commercial flights, and no instances of passengers being off-loaded to

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1 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 1.

2 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 5.

3 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 5.

4 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 2.

5 Mrs Julianne Bush, Marketing Manager, Cocos (Keeling) Islands Tourism Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 15.



make way for asylum seekers. Furthermore, most asylum seekers flown to Christmas Island from Cocos were travelling on special charter flights.<sup>6</sup>

- 5.5 The Department also stated that ‘no-one has been offloaded to make way for asylum seekers. That is just not possible under the terms of the arrangement we have with Virgin Australia. They operate the flights commercially.’<sup>7</sup>
- 5.6 The Committee notes the evidence given by the tourism industry that tourists have been offloaded because of excess baggage required by DIAC and SERCO.

## Insurance

- 5.7 The Shire had serious concerns about the cost and availability of insurance, CEO Peter Clarke advising the Committee that:

The Shire of Cocos (Keeling) Islands was recently informed by its insurance broker that the current property insurer has advised that it is no longer prepared to provide cover on council buildings, which includes approximately 100 houses and numerous commercial buildings on Home Island. Council’s broker in the past has been able to place the Cocos cooperative and both Indian Ocean territory shire councils on the one portfolio to assist with premium reductions. The recent decision now leaves the cooperative and the Shire of Christmas Island in the same predicament as council. Whilst the insurance broker has been working extremely hard to access appropriate cover, it has been reported that premiums could rise between 100 per cent and 200 per cent. Council has yet to receive a final outcome of the negotiations and whether it will have appropriate cover or it will be paying exorbitant premiums.<sup>8</sup>

- 5.8 The Shire advised that DRA had engaged a consultant to research the issue and make recommendations to the department, but the Shire was not aware of any outcomes from this.<sup>9</sup> DRA advised that they had

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6 Mr Ron Grant, General Manager, Cocos Islands Co-operative Society, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, pp. 11–12.

7 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 1.

8 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 3.

9 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 3.

commissioned A J Gallagher to provide research into insurance availability in the IOTs and that the Government is considering the findings of that report.<sup>10</sup>

## Waste management

5.9 The waste management difficulties facing the Cocos Islanders were raised with the Committee during the Small Islands Forum on Lord Howe Island. There, Mr Alan Clark, Manager of Works and Services for the Shire, explained that the optimum solution for waste management, in a limited area with a fragile environment, was a combination of off-island disposal of inorganic waste and incineration of organic waste. However, off-island disposal was almost prohibitively expensive and suffered from quarantine restrictions; while incineration required substantial investment in suitable equipment.<sup>11</sup>

5.10 On Cocos, the Shire raised the problem of funding the proposed strategy, and the fact that they were caught between the Commonwealth and Western Australia in applying for funding. Mr Clark explained:

...we received a letter from the department of regional Australia saying that we had been misinformed about future funding and that to progress our strategic waste management scheme we need to apply for more funding to continue with the next phase. The department had asked us to go back to the state to go through this funding – so it would be through the Strategic Waste Initiatives Scheme in WA – however, we feel quite strongly that our submission that was originally put forward with our strategic waste management plan had practically been signed off by the department of regional Australia after the waste management board had looked at our initial application and approved everything except for the incinerators. The previous Director of Territories West, Grant Barons, saw the hold-up with the waste management board in progressing our claim to get incinerators and had relayed to me that he would write directly to the minister to proceed the matter. That is what he did and we ended up getting our funding that way.<sup>12</sup>

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10 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 1.

11 Mr Alan Clark, Manager of Works and Services, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Lord Howe Island, 30 April October 2012, p. 4.

12 Mr Alan Clark, Manager of Works and Services, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 3.

- 5.11 Mr Clark argued that the Shire ‘should not be going back to the state for further funding and that we should just go back to the minister, as part of the original application process we went through’:

As the waste management board has practically approved our strategy, we do not see the need to go back to the state again. What we would like to see fast-tracked is for us to go back to the minister directly as far as our funding application for waste management.<sup>13</sup>

- 5.12 The Department of Regional Australia stated that funding for the first part of the Shire’s waste management strategy had been provided, and that the Australian Government would consider further grant applications for the delivery of the waste management strategy. It noted that should the Shire ‘submit an application for funding for incinerators, funding would be considered based on the technical assessment of the proposal and prioritisation of available State-type grant funds as determined in conjunction’ with the Shire and the Administrator.<sup>14</sup>

## Coastal erosion

- 5.13 Erosion of the shoreline is an ongoing problem on Cocos that requires regular remediation. The current practice is to use geofabric bags (essentially giant sandbags) to rehabilitate and protect damaged areas. The problem is the lead time from damage to remediation. Mr Clark explained:

The lead time for us to react to the erosion is about six months. From the time that we order the materials – and I am talking about geofabric bags – have them manufactured, shipped here and then filled and put into place, we are looking at about six months.<sup>15</sup>

- 5.14 The Shire sought assistance from the Commonwealth to allow them to stockpile geofabric bags, thereby reducing the lead time in responding to erosion.<sup>16</sup> The Department of Regional Australia noted that the Shire had received \$1.04 million in funding for erosion related work this year and that the Australian Government would continue to work with the Shire on arrangements to manage erosion.<sup>17</sup>

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13 Mr Alan Clark, Manager of Works and Services, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 3.

14 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 2.

15 Mr Alan Clark, Manager of Works and Services, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 3.

16 Mr Alan Clark, Manager of Works and Services, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 3.

17 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 3.

## Quarantine station

5.15 The future of the quarantine station is something the Committee has addressed before, recommending in its 2010 report on the changing economic environment in the IOTs that ‘the Commonwealth transfer ownership of the accommodation and facilities at the former Quarantine Station site on West Island to the Shire of Cocos (Keeling) Islands to ease pressure on housing supply’.<sup>18</sup>

5.16 The Government did not support this recommendation, noting that the facilities were currently being used for other purposes:

In the short term, the accommodation buildings at the former Quarantine Station are being used to house the workers for the Rumah Baru port project. Once this project is completed, the Department of Regional Australia, Regional Development and Local Government expects the accommodation buildings to be used by workers for the runway refurbishment project. Storage buildings at the former Quarantine Station are being used by the Shire of Cocos (Keeling) Islands.<sup>19</sup>

5.17 In evidence taken on Lord Howe Island in April 2012, Mr Peter Clarke, CEO of the Shire of Cocos (Keeling) Islands, put the position of the Shire:

Although I do not know whether we as the shire have the financial capacity to take on the quarantine station, council is certainly firmly of the belief that something needs to be done in respect of that facility because it has a number of homes on it and also some single persons’ accommodation. It has been used spasmodically, I suppose, with contractors on the island but now sits vacant. We have an extreme housing shortage and the availability of that facility would certainly provide additional housing. There is the issue of it being connected to the scheme water, and that is something that apparently the government does not want to deal with at this stage, probably because of cost, but it is disappointing to see a facility like that wasted when there is a serious housing shortage on the islands.<sup>20</sup>

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18 JSCNCET, *Inquiry into the changing economic environment in the Indian Ocean Territories*, Canberra, March 2010, p. 105.

19 Minister for Regional Australia, Regional Development and Local Government, ‘Australian Government response to the report on *Inquiry into the changing economic environment in the Indian Ocean Territories* by the Joint Standing Committee on the National Capital and External Territories’, October 2011, rec. 18.

20 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Lord Howe Island, 30 April October 2012, p. 1.

- 5.18 The quarantine station is currently being used to house asylum seekers before transfer to Christmas Island.
- 5.19 Regarding the future use of the quarantine station, the Department told the Committee:
- We have completed an outline development plan for the Q station that looks at a range of possible future uses, including accommodation, research centres, agricultural use and residential accommodation. That outline development plan is part of the shire's town planning scheme process at the moment. They are doing a new town planning scheme that will include the outline development plan. My understanding is that they are fairly close to finishing that. It will come to the department to go to the minister for approval under his legislative powers. That plan is part of our aim to get much better use out of the Q station.<sup>21</sup>
- 5.20 The Committee toured the quarantine station and found the buildings not currently being used by DIAC to be solid but that all internal fittings to have deteriorated to the extent that the buildings are completely unusable.
- 5.21 The Department noted that it had only had control of the quarantine station for about two years, but saw it as one of the priorities to make it available for alternative economic development. It advised that there were already some activities there, including the Murdoch University legume trial, and a shire works depot, but with most of the site being used to house immigration arrivals. The Department noted that there were some barriers to the development of the site, including the lack of a connection to the potable water supply and limitations on the sewerage system.<sup>22</sup>

### Trade training

- 5.22 Trade training opportunities are a difficult issue for the Cocos (Keeling) Islands. A lack of host employers severely limits opportunities, with apprenticeships currently being conducted on the mainland through TAFE and host employers arranged through the Indian Ocean Training Group. Even the Shire faces significant problems with limited resources:

We have employed apprentices before and, I think, even a trainee. The difficulty that comes is that we say to Indian Ocean Group Training, 'Could you be the host rather than us? Can you get an

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21 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 3.

22 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 3.

apprentice working for us, but you look after him rather than us' – with all the other rigmarole that goes on. But if they go through Indian Ocean Group Training they come under the Christmas Island award, and apparently, based on the normal apprenticeship, these guys are earning big money. That then restricts us from going down that path, which makes it a bit of a problem.<sup>23</sup>

- 5.23 Similar problems faced the Cocos Islands Co-operative Society, for whom employing an apprentice was 'totally out of our reach'. Their alternative was to 'work closely with TAFE or a university, have the students put through, get the courses done on the mainland, then get them back. It is far more cost efficient.'<sup>24</sup>
- 5.24 The Department of Regional Australia noted that the 'Australian Government's policy for trades and apprentices is managed and implemented through the Department of Education, Employment and Workplace Relations (DEEWR)'. Employers and apprentices in the IOTs 'may access programs and incentives offered by the Australian Government in the Apprenticeship Reform Package announced in the 2012 Budget on the same basis as employers in other states or territories'.
- 5.25 DRA also noted that the 'Australian Government provides funding to the Indian Ocean Group Training Association (IOGTA), which employs and trains apprentices. IOGTA currently has electrical and mechanical apprentices placed in the IOT Power Authority', and that the 'ratio of apprentices to trades persons in the Power Authority exceeds that of many mainland businesses'.<sup>25</sup>
- 5.26 DRA also noted that 'trade training is best promoted through a strong economy'.<sup>26</sup>

## Committee conclusions

- 5.27 Noting the need for appropriate community recreation facilities on both Home and West Islands, the Committee is of the view that the Australian Government should commit funds to the building of a recreation centre/cyclone shelter on West Island as a matter of priority. Even without the presence of asylum seekers on Cocos, the need for improved recreation facilities and a larger cyclone shelter is apparent. With asylum
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23 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 9.

24 Mr Ron Grant, General Manager, Cocos Islands Co-operative Society, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 11.

25 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 3.

26 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 4.

seekers on Cocos the need for the new cyclone shelter is urgent. Moreover, DIAC should be charged as a matter of urgency with developing a cyclone contingency plan that does not endanger staff or asylum seekers by forcing them to travel in unsafe conditions or requiring them to stay in substandard shelter, or place asylum seekers or the community at risk by placing everyone in the current facility.

### **Recommendation 13**

- 5.28 **The Committee recommends that the Australian Government provide funds for the construction of a recreation centre/cyclone shelter on West Island as a matter of urgency.**

### **Recommendation 14**

- 5.29 **The Committee recommends that the Department of Immigration and Citizenship develop a cyclone contingency plan for its operations on the Cocos (Keeling) Islands which will provide safe accommodation meeting Australian cyclone standards on island for asylum seekers in the event of a cyclone without undue risk or inconvenience to the local community.**
- 5.30 The Committee is also concerned about the insurance problems facing the IOTs. This issue needs to be resolved as a matter of urgency, given the impact of the lack of insurance on existing infrastructure as well as potential new development. If necessary, the Commonwealth should investigate underwriting the shires and the cooperative in accessing insurance to ensure that they are able to obtain the necessary cover at affordable rates.

### **Recommendation 15**

- 5.31 **The Committee recommends that the Australian Government urgently address the insurance problems facing the communities of the Indian Ocean Territories, if necessary by investigating the provision of insurance to those communities.**
- 5.32 Waste management on Cocos is a particularly complex issue given the limited land and water resources, isolation, quarantine concerns and potential for environmental damage through inadequate or inappropriate

disposal of waste. It is therefore vital that optimal waste management practices be put in place at the earliest opportunity. The Australian Government should directly coordinate with the Shire in the development and funding of a waste management strategy underpinned by the necessary facilities. This should include a capacity for incinerating organic waste and removing inorganic waste to the mainland or some other location.

### **Recommendation 16**

- 5.33 **The Committee recommends that the Australian Government provide the necessary funding to implement a comprehensive waste management strategy on the Cocos (Keeling) Islands, including funding facilities for the incineration of organic waste and the safe removal of inorganic waste from the islands.**
- 5.34 The Committee supports the Shire of Cocos (Keeling) Islands being given funding to stockpile geofabric bags in order to deal with episodes of coastal erosion in a more timely fashion.

### **Recommendation 17**

- 5.35 **The Committee recommends that the Australian Government fund the stockpiling of geofabric bags for the better management of coastal erosion on the Cocos (Keeling) Islands.**
- 5.36 The Committee welcomes the progress made in terms of the future development of the Quarantine Station site, and urges both the Australian Government and the Shire to expedite further progress in planning.
- 5.37 The Committee is conscious that the trade training opportunities are in line with other communities in Australia, and acknowledges the opportunities available under various programs and through the Indian Ocean Training Group. The Committee is of the view, however, that in the IOTs, and particularly on Cocos, there is a need to view trade training not just as an opportunity for individual advancement, but as a mechanism for community development—ensuring that the skills required to maintain and develop the community are readily available on-island.

### **Cocos Islamic Association**

- 5.38 The Cocos Islamic Association raised a number of issues relevant to the Cocos Malay Community, including:



- The need for visitors to Home Island to respect the community's dress code
  - The provision of a special inter-island ferry service for Islamic functions
  - Changing the Islamic public holiday from the Islamic new year to Hijri eve
  - Provision of halal meals on flights to and from Cocos
  - Increase in the number of licensed marriage celebrants on Cocos
  - Exclusion of dogs and alcohol from Home Island.
- 5.39 The Islamic Association was concerned about instances where individuals had shown a lack of respect for the local culture through inappropriate dress, bringing alcohol to Home Island or bringing dogs to Home Island. The Association highlighted the fact that immodest dress, public consumption of alcohol and the presence of dogs was against Islamic teachings and likely to cause offence to the local community.<sup>27</sup>
- 5.40 The provision of an inter-island ferry to allow residents of West Island to attend Islamic functions on Home Island was seen as an important service, and was previously funded by government. The Islamic Association suggested restoring that funding.<sup>28</sup>
- 5.41 The Department of Regional Australia advised that the authority to make changes to the Islamic public holiday rested with the Administrator, and that the process for changing public holidays and gazetting new ones was straightforward.<sup>29</sup>
- 5.42 The Department also advised that while there was no specific provision within the Virgin contract for provision of halal meals on flights, this issue had been discussed at regular contract management meetings.<sup>30</sup>
- 5.43 Concern was expressed about the future cost of providing marriage celebrants for the Islamic Community on Home Island. The Imam, Haji Adam Anthony, explained to the Committee:

I am one of the marriage celebrants here. I conduct marriages for the Muslim community. We are trying to look at the young becoming marriage celebrants for the Cocos community here, but we know that we have to apply to Canberra for that. And I just got

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27 *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, pp. 19–21.

28 Mr Aindil Minkom, President, Cocos Islands Islamic Association, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 19.

29 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 6.

30 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 26.

a message from the marriage celebrants saying that in the future they will be charged about \$600 to apply for this. But anyway at the moment we are looking to appoint another person, a young person, to get a certificate for this. We are trying to train this person, so that he becomes familiar with the culture and tradition of the people here and also the religious situation, before we definitely appoint him as a marriage celebrant.<sup>31</sup>

- 5.44 The Committee notes that the changes proposed to the Marriage Celebrants Program by the Attorney-General's Department involve the application of a \$600 charge for new applications to become a marriage celebrant, an annual registration charge of \$240, and an exemption processing charge of \$30. It is proposed that remote, very remote and migratory communities – including the IOTs – be exempted from the application and registration charges, but only upon celebrants applying for such exemption and paying the exemption charge. The charges are to apply from 1 July 2013.<sup>32</sup>

## Committee Conclusions

- 5.45 The Committee regards respect for the unique culture on Home Island as very important, and suggested that communication between the different sections of the local community, giving such issues more prominence in tourist information, and better signage may assist in managing the issues of dress, alcohol and pets.
- 5.46 The Committee also supports the provision of culturally appropriate meals on flights to and from the IOTs, and urges the Australian Government to follow up with Virgin about provision of halal meals on flights. Halal meals could be provided on request with the purchase of the ticket.
- 5.47 The Committee suggests that the Administrator follow up with community about the timing of the Islamic holiday on Cocos, with a view to ensuring that it falls on the most culturally appropriate day.
- 5.48 The Committee also suggests that the Department give consideration to funding extra ferry services to allow travel between West Island and Home Island on special occasions.

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31 Haji Adam Anthoney, Imam of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 21.

32 Attorney-General's Department, *Marriage Celebrants Program, Program Improvements through Cost Recovery, Consultation Paper*, August 2012.

## Other issues

### Tenders

- 5.49 In evidence before the Committee, Councillor Rosly Arkrie and Mr Clunies-Ross both argued for a better deal for local businesses, particularly in tendering for contracts, or parts of contracts, as a way of promoting employment and business opportunities on the Island. They argued for some degree of preference in contracting to local businesses; greater consideration in formulating contracts for providing local business opportunities (i.e. targeting contracts to local capability); and advertising variations of contract.<sup>33</sup>
- 5.50 The Department of Regional Australia noted that ‘procurements must comply with Commonwealth procurement Rules and the *Financial Management and Accountability Act*, and all tenders include clauses promoting local business participation’. The Department further noted that the Australian Government already assists the IOTs economically through provision of physical infrastructure, economic development programs and by funding an economic development officer.<sup>34</sup>

### Cocos Club

- 5.51 Mr Clunies-Ross expressed concern about the cost to the Cocos Club of the facility being commandeered to shelter asylum seekers upon their arrival at Cocos on a number of occasions during 2011 and 2012. The Club facility, which is a Commonwealth-owned facility and the West Island cyclone shelter, is commercially leased to the Cocos Club. The Club was reimbursed by the Government for outgoing stock used by the asylum seekers and for cleaning costs, but not for loss of business or use of the facility. The Club also felt that use of the facility to house asylum seekers was inappropriate and attempted to discourage use of the facility by charging for its use on an increasing scale to DIAC. Mr Clunies-Ross explained:

We have a valid lease on the building. We have a management contract with the Commonwealth to manage it as a cyclone shelter. We do not have any agreement within the lease about refugees or any other emergency... You are talking about unquarantined people coming in, some of them with bowel problems and a number of them not even knowing how to use a European toilet... It takes 24 hours to clean the building, so we are out of the

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33 Cr Rosly Arkrie, Mr John Clunies-Ross, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, pp. 22–4.

34 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 5.

facility for probably two days after they leave. This was happening more and more often. So we were charging DIAC for the use of the facility.<sup>35</sup>

- 5.52 Mr Clunies-Ross tabled the invoices presented to DIAC, which, to date, have not been paid.<sup>36</sup>
- 5.53 In response to the Committee, DRA explained that the Cocos Club has a lease for use of the portion of the building to operate the club facility, with a management agreement for the rest of the building as a cyclone shelter. The cyclone shelter part of the building is not part of the club lease. Under the management agreement, the Cocos Club is required to operate the cyclone shelter when requested by the AFP. The Management Agreement also allows the Australian Government to use the facility for other purposes.<sup>37</sup>
- 5.54 DRA noted that it had been made aware of the dispute between the Cocos Club and DIAC in May 2011, had discussed the matter with DIAC a number of times and had seen the invoices issued to DIAC by the Cocos Club. DRA stated that ‘in June 2012, the Department asked the Cocos Club management to provide details of the disputed claims in writing. As of January 15 2013, no such correspondence has been received.’<sup>38</sup>

## Housing

- 5.55 There is concern about a shortage of housing on the Cocos (Keeling) Islands, which was raised with the Committee by a number of residents. Mr Clarke advised the Committee of plans to address the housing situation on West Island, stating:
- Again, the department is working on an outline development plan – a lot of plans get done around here! – for the Buffet Close extension, which is looking at all types of residential development. We have not heard anything, but we have been advised that GHD have been engaged to prepare this Buffet Close extension development plan.<sup>39</sup>
- 5.56 As part of a solution to the housing situation, Mr Clunies-Ross suggested the creation of a housing fund, where money from the sale of

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35 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, pp. 28–9.

36 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 29.

37 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 26.

38 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 25.

39 Mr Peter Clarke, CEO, Shire of Cocos (Keeling) Islands, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 7.

Commonwealth owned houses was rolled over to build further houses on the islands.<sup>40</sup>

- 5.57 Mr Clunies-Ross also raised the issue of employment and rental subsidies, the way loss of subsidies through part-time employment could impact on household income. He told the Committee:

On welfare, the problem here, especially on Home Island, is that, when one person in your house gets a job, you lose your rental subsidy. The person might only get six or eight hours work, so he has got to balance the \$150 rental subsidy against the \$20 an hour and he thinks, 'It's not worthwhile.' There are not that many full-time jobs around. I do not know how that is going to work, but it needs to be looked at. It is the same with pensioners. If they earn too much or start to look like they are earning too much, the cost to them of being employed is that they could lose a heap of benefits. They would get their money, but the rest of the household would be impinged on by it. That is Australia wide, I am sure.<sup>41</sup>

- 5.58 In response to the Committee, the Department of Regional Australia stated that the housing supply in the Cocos (Keeling) Islands is complex. The Department noted that the 'capacity of Home Island to accommodate any population growth is hindered by the existing infrastructure and water'; and that 'land in private ownership on West Island has not been developed by the owners'. The Department also noted, however, that:

The Shire of Cocos (Keeling) Islands has produced an Outline Development Plan to inform the Town planning Scheme. In addition, the Australian Government is considering options for the Quarantine Station to determine the land that can be made available for housing.<sup>42</sup>

- 5.59 The Department was not sympathetic to the creation of a housing fund, observing that 'current Commonwealth financial arrangements require that proceeds from the sale of Commonwealth property are deposited into the Consolidated Revenue Fund'.<sup>43</sup>

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40 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 27.

41 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 28.

42 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 8.

43 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 8.

## Fisheries

5.60 The problem with jurisdiction over fisheries was discussed in the section on governance. In further evidence before the Committee, Mr Clunies-Ross pointed to the difficulties he had faced in transitioning from one jurisdiction to another and the costs this had placed on his business. He explained:

I have a valid aquaculture licence for breeding maxima clams. I breed them for the aquarium market. I have been doing it for seven or eight years. WA Fisheries are the appointed service delivery body for the management of the fishery on Cocos Islands. I have federal permits for the export of endangered species and the breeding of endangered species. Before WA state bodies came in, I was pretty much allowed *carte blanche* on the island because there is no-one around to manage it. Fisheries came in about two years ago and said, 'We want to move you into the WA licence model.' I do not really have a problem with that, as long as it does not affect my day-to-day business. They said, 'Each time you go out to get breeding clams, you'd have to apply.' I said, 'Okay, I need 1,000 a year.' 'That's too many.' I do not know how they came up with the idea that it was too many, because I have been doing it for seven years and it has not shown any impact. So I said, 'I want an exemption,' and they said, 'You can apply for an exemption on your current permit, and when the next one comes up it will show on it.'

In the meantime, my six-monthly federal permits came up and they wanted my licence number. The new one had not come in yet, so I said, 'You phone Fisheries and they'll tell you it's kosher.' Fisheries told them that, no, it was not kosher. They were doing an environmental impact assessment on the licence, so all my export permits fell down immediately. I was not allowed to breed. I was not allowed to sell any stock. That has been the situation for two years.<sup>44</sup>

5.61 Mr Tony Bagnell identified similar problems, moving from state to federal authorities. He told the Committee:

We are currently formally approaching the Australian Fisheries Management Authority, AFMA, for guidance, as it appears the Department of Fisheries, Western Australia, no longer issue or administer applications for expressions of interest for the

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44 Mr John Clunies-Ross, President, Cocos Club, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 30.

development of new fisheries, either on the mainland or as part of its service delivery agreement for the Indian Ocean Territories.

Our request to AFMA is to assist our business to identify the agency that is able to administer a formal platform on which we have the opportunity to promote the viability, sustainability and multifaceted potential of our business plan.<sup>45</sup>

- 5.62 Mr Bagnell highlighted the potential of the sea cucumber fishery to provide a viable industry for the Cocos (Keeling) Islands. He told the Committee:

It is my desire today to identify to the joint standing committee that we are enthusiastic about this project. Our company has evolved a team of committed stakeholders with industry recognised skills in the development of sea cucumber fisheries. Our stakeholders also have identified methods of value-adding to the product along with branding communication that has the potential to increase the awareness of Australia's Indian Ocean Territories.<sup>46</sup>

- 5.63 In response to the question as to the principal agency regulating the operation of fisheries in the IOTs, the Department of Regional Australia noted that under an SDA the Western Australian Department of Fisheries 'is responsible for providing fisheries management services at the Cocos (Keeling) Islands and Christmas Island, on behalf of the Australian Government'.<sup>47</sup> The Department identified the approvals required to operate a commercial fishery in the IOTs, stating:

Individuals considering operating commercial fisheries must apply to the Department of Fisheries WA for a licence. A number of licences may be required for commercial fishing activities, including:

- commercial fishing licence,
- permit for fish processing place,
- fish processors licence,
- a range of approvals for vessels, and
- an aquaculture licence.

There may also be compliance issues under the Environment Protection and Biodiversity Conservation Act 1999.<sup>48</sup>

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45 Mr Tony Bagnell, On Island Enterprises Pty Ltd, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 31.

46 Mr Tony Bagnell, On Island Enterprises Pty Ltd, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 31.

47 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 9.

48 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 9.

5.64 The Department also identified the approvals required to operate the trade in aquarium species:

The range of approvals which may be required to operate the trade in aquarium species will depend on the specific activities being undertaken by a proponent. These may include:

- fishing boat licence,
- aquaculture licence, and
- export licences.<sup>49</sup>

5.65 The Department further noted that:

All commercial fisheries in Australia wishing to export their catch overseas require approval from the Department of Fisheries WA and ESD approval (relating to Ecologically Sustainable Development) from the Commonwealth Department of Sustainability, Environment, Water, Populations and Communities (SEWPAC) under the *Environment Protection and Biodiversity Conservation Act 1999*.

Some high risk species such as clams also require approval under the 'Convention on International Trade in Endangered Species of Wild Fauna and Flora' (CITES) to be exported overseas.

Biosecurity approvals may also be required for certain activities.<sup>50</sup>

5.66 Asked what procedures are in place to ensure effective coordination between fisheries and environmental authorities in the Commonwealth and Western Australia, the Department of Regional Australia stated that 'officers from the Department of Fisheries WA liaise with officers from SEWPAC in the assessment (or reassessment) of commercial fisheries for ESD certification'.<sup>51</sup>

### Fire protection at Oceania House

5.67 While on Cocos, the owner of Oceania House, Mr Lloyd Leist, raised the question of who was responsible for fire protection at Oceania House. He noted that the current location of the fire hydrant, at the start of the property, some 200 metres from the house, was too far to provide protection in the case of a fire, and that a new hydrant needed to be installed closer to the house. He felt that as the original hydrant was installed while the house was Commonwealth property, the Commonwealth should bear some responsibility for the extension.<sup>52</sup>

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49 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 9.

50 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 10.

51 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 10.

52 Mr Lloyd Leist, *Committee Hansard*, Cocos (Keeling) Islands, 22 October 2012, p. 33.



- 5.68 In response to questions about fire protection and the location of hydrants at Oceania House, the Department of Regional Australia stated that the ‘Department of Fire and Emergency Services (WA), as the Department’s contracted service provider, is responsible for fire hydrants in the vicinity of Oceania House’.<sup>53</sup> DRA noted that ‘fire hydrants are provided by the Australian Government on the advice of the WA Department of Fire and Emergency Services (DFES)’ but that:
- Oceania House is a privately owned residential property.
  - DFES can advise the owner of Oceania House on fire protection.
  - If a DFES inspection shows the need for additional hydrants against the appropriate water reticulation standard, up to the block boundary, the Australian Government will consider the advice from DFES.
  - The owner of Oceania House may need to consider whether to install a hydrant within the property boundaries due to its large size.<sup>54</sup>

## Committee conclusions

- 5.69 The Committee recognises that there are clear processes in place governing the issue and assessment of tenders for work undertaken under government contracts and that tendering for work in the IOTs follows these processes. Nonetheless, the Committee is of the view that the Australian Government could be more proactive in ensuring that local businesses are availed of the opportunity to participate in work under contract, either through issuing tenders in a form more sympathetic to smaller local businesses or by deliberately advertising the benefits of using local businesses to external contractors.

### Recommendation 18

- 5.70 **The Committee recommends that the Australian Government take steps to improve the opportunities for local businesses to participate in work under contract, including by separating large tenders into individual parts or allowing local businesses to tender for parts of contracts.**
- 5.71 The Committee is concerned about the way the Cocos Club was used to house asylum seekers, and the cost and inconvenience to the Cocos Club as a result. The Committee cannot comment on the legal status of the claims for compensation and the related invoices submitted by the Cocos

53 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 10.

54 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 10.

Club. It may well be that the actions of DIAC were in accord with the letter, if not the spirit, of the Club's contract for the facilities. Whatever the case, it is nonetheless clear that using the Cocos Club facilities to house asylum seekers, even temporally, was not an appropriate use of those facilities, and must be avoided in the future. DIAC is currently using a section of the old quarantine station to house asylum seekers.

- 5.72 Housing is a long running problem on Cocos, particularly on West Island. The need for effective planning to meet future housing needs is obvious. The Committee is keen to witness the outcome of the current planning developments and will take note in the future of how those plans unfold and are implemented.
- 5.73 Notwithstanding the Department's assurances that there are clear procedures in place concerning the governance of fisheries in the IOTs, the Committee is concerned about the apparent confusion facing businesses on the islands. The Committee suggests that a program needs to be put in place to assist businesses to navigate their way through different levels of state and federal administration and law to ensure that outcomes are achieved in a timely manner. This is particularly important given that fisheries are the most obvious complement to tourism as a source of income and employment on the Cocos (Keeling) Islands.
- 5.74 With regard to the fire hydrant access to Oceania House, the Committee is inclined to agree with the Department that it is the responsibility of the owner of Oceania House to provide the necessary protection to the property. Nonetheless, the Department should do everything in its power to ensure that the necessary work of extending the hydrant can commence at the earliest opportunity once the owner has undertaken to do the work.

## Local Issues—Christmas Island

### Shire of Christmas Island

- 6.1 In its evidence to the Committee, the Shire of Christmas Island raised a number of issues of concern to the people of Christmas Island, including:
- Fuel storage
  - Aged care facilities
  - Housing
  - The sea wall
  - Airfares.

### Fuel storage

- 6.2 Concerns were raised about proposals for upgrading fuel storage on Christmas Island. Councillor Thomson noted that funding had been provided to upgrade facilities fuel storage, but this had not necessarily translated into increased capacity for storage of fuel for power generation. He sought clarification of the Government's plans.<sup>1</sup>
- 6.3 In response to questions about the fuel storage situation on Christmas Island, the Department of Regional Australia stated:

The Australian Government has provided \$19 million to upgrade diesel and aviation fuel storage on Christmas Island. The first stage of the project to increase diesel storage is now complete (ahead of schedule) with an additional 1.8 million litres of fuel stored at Smith Point.

A request for tender to build and operate a new aviation fuel supply facility on Christmas Island is currently being prepared for release in late February 2013.

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<sup>1</sup> Cr Gordon Thomson, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 2.

Petrol storage is adequate and is not being increased.<sup>2</sup>

- 6.4 The Committee understands that Christmas Island almost ran out of petrol in March 2013 and that emergency provisions were put aside.

### Aged-care facilities

- 6.5 Councillor Thomson highlighted the need for a dedicated aged care facility, and an early commitment of funds so that the facilities will be available to meet community needs. He noted the age profile of the workforce at the mine – an average age over 55 years – with other workers on the Island in their 70s. He also emphasised the difficulties in obtaining funding for health services on the Island:

The only programs we have on the island currently are the HACC services. Our point there is that it took some years of agitation because of the disagreements, or the potential for lack of decision on the basis of the mixed funding of the HACC services. You had state and federal funding, and you had this circus of the services needed but the bureaucratic problems of getting the services funded on the island because of that complex funding model.

Everybody agrees the service is needed, but it does not happen for several years because of the machinations of making funding arrangements that deliver. There was no requirement to build buildings; it was just put in the money, administer by the hospital, employ someone, get the services into the community. That took so long. If we are going to talk about building buildings like an aged-care nursing home, you can see the sorts of problems we have. We really need to start getting commitments from government that the money is there and we are going to start the planning and we are going to make these services available to our community. If not, our community will be denuded of an important part of our population profile, and we think people do have a right to live out their years in their home country, if you like.<sup>3</sup>

- 6.6 The Department of Regional Australia noted that there are no specialist aged care homes on Christmas Island, with aged care being provided in the home and through the Indian Ocean Territories Health Service. According to the Department, the advice from the Indian Ocean Territories Health Service was that ‘care in the person’s home is the most appropriate and cost effective model for providing aged care services’, but
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2 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, pp. 12–13.

3 Cr Gordon Thomson, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 3.

that this situation was kept under review. The Department stated that 'there are no current plans to construct a purpose built residential government owned aged-care facility', but that extensions to the Christmas Island Hospital would provide access 'to a range of specialist medical and community health services, such as aged care, counselling, rehabilitation and preventive health'. The extension is due to be completed in 2014.<sup>4</sup>

## Housing

6.7 Councillor Yon identified the shortage of housing, and the impact that was having on the community, particularly young people. He stated:

With regard to housing for residents of the island, there has been a shortage. It is the younger generation that would want to come back here on the island to be with their families and they are just not getting any public housing; they cannot rent public housing. If they rent in the private sector there is always a high cost and they cannot afford that. I sought advice that the Commonwealth do something about the public housing shortages on the island. School leavers always want to come back here and live here. Without housing they will end up somewhere else over on the mainland and we cannot keep our communities together.<sup>5</sup>

6.8 Councillor Thomson argued that part of the failure was the reliance by government upon private investment in housing, but that this had not worked. He stated:

The idea was that Christmas Island, in the process of normalisation after 1992, was to create free markets et cetera. But the sale of land for the purpose of building houses has not yielded many houses. The costs of building are high and offshore investors in houses are looking for gold plated lease arrangements with the Commonwealth to rent back the houses they build. So we have not seen any significant increase in the housing availability, certainly not to meet need, because of private investors picking up that responsibility.<sup>6</sup>

6.9 Councillor Yon argued for greater access for tenants to buy government houses, relating his own experience as a long-term renter on the island:

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4 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 13.

5 Cr Azmi Yon, Deputy President, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 3.

6 Cr Gordon Thomson, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 3.

I was going to add to the housing issue – the right to buy housing for people who are renting Commonwealth houses. There has been so many times that the government asks if anybody wants to buy the public housing that they have put out, how would you say, a \$100 deposit, thinking they can get that house. I have lived down at kampong twice. I have been moved up to Poon San and I have seen what have done there – basically ruined the two flats – the 408 and the 412. Basically I think now the long-term residents, like myself, would like to buy a house. But the government is dragging it longer and longer. It is not easy for us to simply just rent, rent, rent all the time. We are not secure. This is where I am, this is where I live and this is where I will be and where I will die. At the end of the day, this is where I am, and I would like to have something for my family.<sup>7</sup>

- 6.10 In response to questions from the Committee, the Department of Regional Australia agreed that the increased number of people on Christmas Island had placed ‘significant pressure on the supply of rental housing’, but that the Australian Government was making a significant investment in new housing to reduce its demand on rental housing:

Fourteen new units will become available as Stage 1 of the project completes in February 2013. Stage 2, for a further 12 units, is expected to commence before March 2013.<sup>8</sup>

- 6.11 The Department notes that ‘in the same period, despite vacant freehold land in residential areas, the private sector has built only two to three houses’.<sup>9</sup>
- 6.12 The Department rejects claims of a shortage of public housing or a shortage of housing for sale on the private market.<sup>10</sup>
- 6.13 The Department noted that the First Home Owners Grant was not available to IOTs residents, stating:

The First Home Owners Grant (FHOG) scheme was introduced in July 2000 to compensate for the increased cost of homes as a result of the introduction of the GST. However, as GST is not applied in the IOT, it was (and currently remains) Australian Government

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7 Cr Azmi Yon, Deputy President, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 3.

8 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 14.

9 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 14.

10 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 14.

policy that the FHOG Scheme not be available to residents of the IOT.<sup>11</sup>

- 6.14 However, IOTs residents 'are able to access stamp duty concessions introduced in 2004 under applied amendments to the Western Australian *Stamp Act 1921*, which are linked to FHOG eligibility criteria'.<sup>12</sup>

### Sea wall

- 6.15 Councillor Yon also raised the issue of the sea wall at the kampong. He noted that every year during the monsoon season, sand was being pushed onto the roads in the kampong, and asked that the sea wall be raised to protect the area.<sup>13</sup> The issue of the sea wall was also raised by Mr Zainal Abdul Majid, president of the Christmas Island Islamic Council.<sup>14</sup>
- 6.16 The Department of Regional Australia advised that the matter of raising the sea wall was being investigated and that a process was in train to consult with the community about what was needed. However, no funding had yet been allocated to the project.<sup>15</sup>

### Airfares

- 6.17 Councillor Foo Kee Heng, President of the Shire of Christmas Island and the Union of Christmas Island Workers, raised the issue of free airfares for pensioners. Pensioners are currently entitled to one free airfare to Perth. But, as Councillor Heng noted, few pensioners have relatives in Perth while many have family to the north, especially in Malaysia. It was the view of many in the community that pensioners would benefit by using their free airfares to fly north instead of south, and he urged the government to allow this.<sup>16</sup> This issue was also raised by Ms Di Jarosz,

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11 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 14.

12 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 14.

13 Cr Azmi Yon, Deputy President, Shire of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 4.

14 Mr Zainal Abdul Majid, President, Christmas Island Islamic Council, *Committee Hansard*, Christmas Island, 24 October 2012, p. 32.

15 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, & Mr Stephen Clay, Acting Assistant Secretary, Territory Service Delivery Branch, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 7.

16 Councillor Foo Kee Heng, President, Shire of Christmas Island, and President, Union of Christmas Island Workers, *Committee Hansard*, Christmas Island, 24 October 2012, p. 11.

Secretary of the Christmas Island Women's Association<sup>17</sup> and Ms Jeannie Ku, Treasurer of the Chinese Literary Association of Christmas Island.<sup>18</sup>

## Christmas Island Women's Association

- 6.18 Ms Di Jarosz, Secretary of the Christmas Island Women's Association, raised a number of issues with the Committee, including:
- The cost of fresh produce, particularly for pensioners
  - The cost of dental care for pensioners
  - Lack of special aged-care facilities
  - Limits on the airfare concessions for pensioners
  - Lack of youth recreation facilities
- 6.19 Ms Jarosz suggested some form of subsidy for fresh food for pensioners, a dental care concession, and a change to the airfare concession to allow pensioners to fly north to Asia rather than just south to the mainland. She suggested the creation of aged care facilities – 'for instance, residential care, a nursing home, and special care workers – and home care visits'. She also suggested a go-kart track – possibly 'linked with someone teaching mechanical skills' – and a motorcycle track – 'because there are lots of young boys now with motorcycles on the island'.<sup>19</sup>
- 6.20 The Department of Regional Australia advised that dental services in the IOTs are provided at a generally lower cost than on the mainland using Department of Veterans Affairs remote area rates. The Christmas Island Hospital extension will include an upgrade of the existing oral health unit.<sup>20</sup>
- 6.21 The Department advised that the airfare concessions for pensioners paralleled that under Western Australian law, and that at this stage the Australian Government continues to apply the equivalent Western Australian arrangement, which is an annual flight to Perth. The Department stated, however, that it was aware of local interests in the

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17 Ms Diane Jarosz, Secretary, Christmas Island Women's Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 29.

18 Ms Jeannie Ku, Treasurer, Chinese Literary Association of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 36.

19 Ms Diane Jarosz, Secretary, Christmas Island Women's Association, *Committee Hansard*, Christmas Island, 24 October 2012, p. 29.

20 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 13.



IOTs for an equivalent concession for flights to Asia, and was considering advice to the Minister.<sup>21</sup>

## Christmas Island Islamic Council

6.22 Mr Zainal Abdul Majid, Christmas Island Islamic Council, raised the lack of housing, especially for young people; the cost of living, especially food; and funding for the Islamic Council to assist in upgrading facilities for the Islamic community. With regard to the community facilities he stated:

We have a number of projects in hand to upgrade the existing building into a preschool or a room that can be used for culture meetings. It is run-down. In order to do that, we are willing to pick up the labour costs, but we cannot afford to buy everything. If the cost can be shared we could fully utilise it. If there is funding to buy materials and we can put in labour that would be a positive thing.<sup>22</sup>

6.23 The expected cost of the refurbishment was \$50,000.<sup>23</sup>

6.24 The Department of Regional Australia stated that it had given advice on this matter to the Islamic Council and was awaiting a grant application. The Administrator was working with the Council and other bodies to assist them in applying for grants<sup>24</sup>, and the Committee understands that the Islamic Council has recently been provided with \$75,000 to fund the refurbishment.

## Chinese Literary Association

6.25 Ms Jeannie Ku, Treasurer of the Chinese Literary Association of Christmas Island, also raised concerns about the cost of living, especially for seniors; the availability of housing for residents; lack of facilities and activities for young people, and access to the north by air. She explained to the Committee:

Due to the uncertainty and the detention centre, there has been a decline in tourism arrivals, in passenger loads, and this has affected the operation of the northern service. We need to preserve this route due to our culture and links to the north. Most of the

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21 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 7.

22 Mr Zainal Abdul Majid, President, Christmas Island Islamic Council, *Committee Hansard*, Christmas Island, 24 October 2012, p. 31.

23 Mr Zainal Abdul Majid, President, Christmas Island Islamic Council, *Committee Hansard*, Christmas Island, 24 October 2012, p. 32.

24 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 21.

Chinese community and the Malay community come from the north, from Malaysia, and we would prefer to have the northern charter so that every year we can go back and visit our families. We would prefer that, but, due to circumstances, the northern air charter is still not certain for us. So we are a bit worried about that.<sup>25</sup>

- 6.26 Ms Ku also urged improvements to the local bus system, for the benefit of residents and tourists:

The cost of cars, maintenance and petrol is very high now, and there is no alternative mode of transport provided by the Commonwealth. We need a bus system to operate over a full day. At the moment the shire have one, but it is only at certain hours and it does not operate after dark. We reckon that, with a full-day service, we can encourage more people, including senior people, children and workers, to use the bus instead of relying on their corporate or private cars. We can save a lot. Also, it is good for tourists if they come here. At least they will know there is a bus provided for them.<sup>26</sup>

## The Department's Response

- 6.27 The Department of Regional Australia addressed many of these issues in its response to the Committee.
- 6.28 With regard to the cost of living in the IOTs, the Department stated that 'the price of foodstuffs is market driven and is not subject to the application of anti-competitive price controls applied by the Government'. DRA 'has contracted the WA Department of Regional Development and Lands to undertake an evidence-based project to create a Regional Price Index. This will help to determine the cost of living in the IOT compared to Perth'. The index, which will be reviewed every two years, 'will inform Departmental policy'.<sup>27</sup> The Department also notes that GST does not apply in the IOTs, and that the 'Australian Government subsidises freight and transport costs through its commercial contracts with Patrick Ports, Toll Logistics and Virgin Australia (through port and airport fees and charges, and the underwriting of passenger and freight services)'.<sup>28</sup>

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25 Ms Jeannie Ku, Treasurer, Chinese Literary Association of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 36.

26 Ms Jeannie Ku, Treasurer, Chinese Literary Association of Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, p. 36.

27 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 20.

28 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 20.

- 6.29 The Department also noted that it was actively engaged in promoting the growing of food locally through market gardens. The Committee was advised that:

There are a number of proposals under active consideration for areas of land so that local people can increase economic activity through growing fruit and vegetables locally. Only this week, on Monday, I met with Megan Lalley in Perth. She is our Water Corporation regional manager who looks after, amongst other things, the operation of the sewage treatment plant, which is producing a significant amount of – let me put it this way – solid waste at the moment. She is looking at a further processing step that can be put in place that can make that material useful as a fertiliser.<sup>29</sup>

- 6.30 With regard to the impact of the cost of living on pensioners, the Department stated that pensioners in the IOTs ‘are provided benefits on the same basis applying to pensioners generally in Australia’. With regard to particular schemes and eligibility, the Department recommended that individuals contact Centrelink. The Department also noted that individual pensioners ‘may also be eligible for the Pension Supplement to help meet the costs of daily household and living expenses, including phone, internet, utilities and pharmaceutical costs’. Individuals should contact Centrelink to determine their eligibility. The Department was not aware of any specific program aimed at subsidising the cost of fresh food, but observed that ‘Departmental initiatives such as the weekly airfreight service have increased availability of fresh food and some residents now ship their own supplies from Perth’. The Department noted that the ‘market garden proposal may also have a positive impact on fresh food prices’.<sup>30</sup>

- 6.31 In discussion surrounding the question of free flights for pensioners, the Department advised that the current arrangement was in line with what applied in Western Australia under state law. The Department explained:

The arrangement has always been one that parallels the Western Australian entitlement for seniors and others on pensions, if you live above the 26th parallel. It is called a ‘flight to the coast’ for some reason. It is a Western Australian entitlement. We parallel it. It is the flight from Christmas or Cocos Island to Perth for eligible pensioners. It has not been to the north. We are certainly aware of

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29 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 7.

30 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, pp. 20–1.

local interest in something like that and we are considering advice to the minister on it. At this stage, though, the government continues to apply the equivalent Western Australian arrangement, which is an annual flight to Perth.<sup>31</sup>

6.32 With regard to extending the Christmas Island bus service, the Department of Regional Australia stated:

The Community Bus is funded by the Australian Government for \$30,000 per year and operated by Shire of Christmas Island (SOCI), which determines its timetable and hours of operation.

If SOCI considered that an extension of the service was desirable and could not be funded within existing arrangements, SOCI would need to develop a business case for submission to the Department for assessment.

This would need to be considered in the context of the Department's budget position.<sup>32</sup>

6.33 With regard to the provision of youth facilities and services, the Department informed the Committee that there are a number of youth programs and activities on Christmas Island, including:

- CI Kung Foo Association – includes Chinese Lion
- Islamic school – undertakes a number of activities
- CI Recreation Centre runs a series of after school and holiday programs along with evening sports competitions (limited this year due to the facility being closed for repairs for some of 2012)
- SOCI maintains a number of parks/playgrounds and the skate park for unstructured activities
- SOCI runs a series of youth programs through their youth and cultural services Community Development Officer
- CI Neighbourhood Centre organises youth events
- Music lessons
- CI Arts and Culture have a number of activities with which youth have been involved each year
- CI Cricket and Sporting Club after school activities coaching and competitions, plus one off family events and activities (coach in residence programs)

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31 Mr Julian Yates, First Assistant Secretary, Local Government and Territories, Department of Regional Australia, Local Government, Arts and Sport, *Committee Hansard*, Canberra, 28 November 2012, p. 7.

32 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 22.

- CI Cricket Club Junior sports trips including Cocos and Perth for Auskick and other sports
  - The CI District High School runs 'Country Week' activities.<sup>33</sup>
- 6.34 With regard to attracting and retaining young people on Christmas Island, the Department stated that the Australian Government 'has made a strong commitment to excellence in schooling in the IOT and years 11 and 12 are available on Christmas Island'. It noted that the Australian Government funds the Indian Ocean group Training Association, 'which provides employment, training and community services to both employers and jobseekers and manages the employment and training of apprentices to develop the capacity of young people to enter the workforce'. The Department further stated that youth attraction and retention policies will be included in the activities of the new Regional Development Organisation. 'Membership of the RDO is broad and inclusive, with representatives from youth and cultural interests eligible for membership.'<sup>34</sup>

## Arts and Culture Christmas Island

- 6.35 Concerns were raised about the process and outcomes surrounding the urban design master plans for Christmas Island. Ms Patricia Power, chairperson of Arts and Culture Christmas Island, explained to the Committee:

Recently the government spent \$60,000 towards an urban master design plan for the Gaze and Vagabond roads areas – Gaze Road is down here and Vagabond Road is up in the sports and rec area. Although it was a shire project it was facilitated by Christmas Island administration. Lisa [Preston] and I were both involved in the process from the beginning as members of the selection panel. Due process was not followed but, despite our concerns, the project proceeded. The 1996 Gaze Road development plan was initially completely ignored in the urban design plan process, even though it was an excellent reference and full of detailed ideas.

- 6.36 The outcome, from the point of view of some in the community was a failure:

The resulting urban design plan reflected our initial concerns and lacked any real design and certainly did not meet the aim of being a plan that is easily envisaged and implemented. Several organisations have been waiting for a design plan so that they can

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33 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 23.

34 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 24.

proceed with developments. A prime example is Arts and Culture Christmas Island. We assumed that the urban design plan would contain a design detailed enough to allow us to proceed with the development of the Tea Gardens area, which is commonly known as the police padang. It is where the fish vulture is if you drive along on the left, near the fuel tanks. We received funding for a mosaic seat and had to delay the project for over a year in anticipation of the urban design plan. When the plan came out there was no design for the area, so we could not decide where to place the seat in relation to all the other elements we had hoped would be identified. Fortunately, just in the last two weeks, we have had the mosaic artist here and we are using a production process that has allowed the mosaic work to proceed and be assembled at a later date. Everyone at some stage will be going up past the old tech school. Pop in there, around the corner, and go in and have a look, because it is quite impressive.

- 6.37 Ms Power explained that it was 'It is essential that a detailed design for Gaze Road be developed so that any work undertaken is part of a whole design concept and not a mishmash of well-intentioned efforts':

Some locals, for example, want to start planting trees, but we need to know what to plant and where to plant them. Several members of the urban design plan steering committee are now planning to seek funding to develop a design portfolio that can be used as an appendix to the urban design plan and act as a reference for any organisation or individual involved in development.<sup>35</sup>

- 6.38 The Department of Regional Australia advised the Committee that the Urban Design Master Plans were developed for the Tourism and Commercial Precinct (Gaze Road), and the Sports and Recreation Precinct of Christmas Island. The Plans were produced by GHD in 2011 for the Shire of Christmas Island in conjunction with the Christmas Island Economic Development Consultative Group. The Australian Government provided \$60 000 to the Shire to produce the plans.<sup>36</sup> An Implementation Reference Group has been formed to advise on the delivery of key recommendations in the Plans. The Implementation Reference Group is chaired by the Shire CEO, and comprises representatives from the community, local business, local associations, WA Government departments, and Australian Government agencies.<sup>37</sup>

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35 Ms Patricia Power, Chairperson, Arts and Culture Christmas Island, *Committee Hansard*, Christmas Island, 24 October 2012, pp. 33-4.

36 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 21.

37 Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, p. 22.

## Committee conclusions

- 6.39 The Committee notes the efforts being made to address fuel storage issues on Christmas Island. Problems associated with fuel storage have been an issue on Christmas Island for a number of years. The Committee got first-hand experience of the problems caused by the rationing of aviation fuel when its flight plan was changed, then changed again, to conform with the expected availability of fuel on Christmas Island. Given that the Island almost ran out of petrol in March this year, the Committee believes that petrol storage needs to be increased as a matter of urgency.

### Recommendation 19

- 6.40 **The Committee recommends that the Australian Government provide increased storage capacity for petrol on Christmas Island as a matter of urgency.**
- 6.41 The Committee is concerned that there is currently no planning underway for dedicated aged-care facilities on Christmas Island. While home care in a tight-knit community may be a viable option for many, the ageing of the local population and the possible need for specialist care suggest that an aged-care facility will become necessary in the near future. The Committee suggests that planning should begin for a dedicated aged-care facility to be constructed on the hospital campus.

### Recommendation 20

- 6.42 **The Committee recommends that the Australian Government commence planning for, and funding of, a dedicated aged-care facility to be collocated with the Christmas Island Hospital.**
- 6.43 The Committee is conscious that there are strong concerns within the community about the availability of housing. The Government has played down these concerns, yet it would appear that investment housing on Christmas Island has not translated into more widespread ownership of property or any surplus of affordable rental accommodation. At the very least, it would be useful to gain a comprehensive picture of what housing is available on Christmas Island, and match it to the needs and aspirations of the Government and the community. If a significant discrepancy between availability, need and aspiration are found, then a housing strategy should be developed to meet those needs and aspirations. A similar exercise would be equally valid and useful on Cocos.

**Recommendation 21**

- 6.44 **The Committee recommends that the Australian Government undertake a comprehensive housing survey to establish levels of availability and demand for housing in the Indian Ocean Territories.**
- 6.45 The Committee welcomes the news that a process is underway to consult the community with regard to the raising of the sea wall. The Committee is of the view that the Department should commit funds to this project.

**Recommendation 22**

- 6.46 **The Committee recommends that the Australian Government provide funds for the raising of the sea wall in the Kampong, with a view to facilitating design and construction within the next two years.**
- 6.47 The Committee supports pensioners in the IOTs being able to use airfare concessions to fly to Asia and recommends that the Australian Government adjust the airfare concession to allow for flights to Asia.

**Recommendation 23**

- 6.48 **The Committee recommends that the Australian Government adjust the rules for the pensioner airfare concession, which currently provides for an annual flight to Perth, to allow for an equal concession to be put towards flights to Asia.**
- 6.49 The Committee is concerned about the apparent outcome of the urban design planning process that has occurred on Christmas Island, and the apparent lack of coordination and effective consultation in the planning process. The Committee will watch with interest how the work of the Implementation Reference Group unfolds and will review this matter on its next visit to the Island.
- 6.50 The Committee understands that Christmas Island has similar waste management issues to Cocos (Keeling) Islands. Again, this is a complex issue given the limited resources and potential for environmental damage, and the Committee is of the view that the Australian Government should coordinate with the Shire in the development and funding of a waste management strategy for Christmas Island.



**Recommendation 24**

- 6.51 **The Committee recommends that the Australian Government provide the necessary funding to implement a comprehensive waste management strategy on Christmas Island, including funding facilities for the incineration of organic waste and the safe removal of inorganic waste from the island.**
- 6.52 The Committee is aware of the cost of living pressures facing residents of the IOTs and welcomes the creation of the Regional Price Index to provide ongoing and up-to-date evidence of the cost of living. The Committee urges the Government to make this information public. The Committee also endorses measures to promote the growing of fresh food on Christmas and Cocos as a way of reducing the freight costs in food prices. The Committee will follow these endeavours with interest in the expectation of positive outcomes for the IOT's communities.

**Recommendation 25**

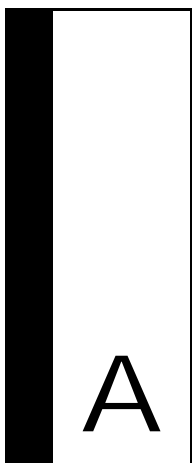
- 6.53 **The Committee recommends that the Australian Government make the Regional Price Index for the Indian Ocean Territories publicly available.**

**Senator Louise Pratt**

**Chair**

**26 June 2013**





## Appendix A – Indicative list of information required for casino concept proposal<sup>1</sup>

### **Details of the proposed owner, licensee, operator and key personnel**

- Details of the proposed casino owner, casino licence holder and casino operator and the proposed business relationships between them;
- ownership, trust or corporate structure details for those entities and persons, including full names and details of directors and key executives;
- Identities of any other proposed business partners (e.g. airlines, suppliers etc. who are to be exclusively engaged in activities associated with the casino).

The initial assessment will be without prejudice to a separate, independent assessment of probity, financial standing and risk profile of the respective companies, associated parties and their key personnel which would be undertaken if the proposal proceeds beyond the initial concept stage.

### **Operational aspects of the proposal**

This should outline in broad terms the way the business will be run and how it will ensure that the operations of the casino are fair, honest and free of criminal influence.

Please outline the business model for the proposed casino operations including –

- i. Who are the proposed patrons? If overseas patrons are critical to the business model, how will they get to Christmas Island?
- ii. What would be the management structure and roles of key employees? Where would employees be sourced? (Note that an employee licensing regime will apply.) What supervision arrangements are proposed?

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<sup>1</sup> Department of Regional Australia, Local Government, Arts and Sport, *Submission 6*, pp. 27–8.

- iii. Proposed hours of operation, types of gaming and layout of the premises;
- iv. Proposed control procedures, including: cash/gambling chip handling processes; provision of credit; measures for preventing money laundering; security of premises, gaming equipment, cash and chips, and safety of patrons;
- v. Harm minimisation strategies – including strategies for managing problem gambling, methods for exclusion from premises, availability of cash facilities on the premises. (In this regard the ACT Government's *Gambling and Racing Control (Code of Practice) Regulation 2002* may provide you with some guidance).

Please spell out any critical assumptions underpinning the business model such as increased airline flights, special visas and the like which would require separate policy consideration or input from Government. You should also identify the process for seeking approval from relevant State and Commonwealth agencies for addressing these matters.

### **Economic benefits**

Outline the projected economic benefits to the Christmas Island community in terms of community contributions, employment, economic stimulus, tourism etc. and mechanisms for delivering these. This should recommend an approved assessment framework for benchmarking these benefits.

### **Social Impact on the Christmas Island Community**

Provide an assessment of the social impacts of a casino on the Christmas Island community, including canvassing the degree of local support and identifying any cultural or other community objections. Outline strategies for community consultation, education and counselling support and any other mechanisms for addressing concerns and mitigating negative impacts.

### **Legislation, regulation and oversight**

The previous Christmas Island casino legislation has been revoked and will not be re-enacted. If you have a preferred legislative and regulatory regime from another jurisdiction please state it, but note the decision on legislation will ultimately be one for the Commonwealth. It is suggested you look at the casino and gambling regime in the ACT, which appears to be the most up to date and provides an indication of the matters likely to be covered. An independent regulatory and oversight body with inspectorial powers will need to be established on Christmas Island to administer casino operations on the Commonwealth's behalf. Functions would include

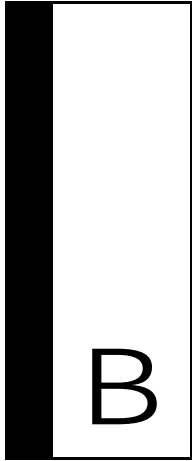
- advising the Minister on the issuing of casino and operator licenses,
- approving gaming activities,
- conducting probity and financial checks,
- assessment and issuing of employee licences,
- collection of taxes, licence fees and charges and
- conducting financial and operational audits.

It is envisaged that at least six Christmas Island-based staff would be required to conduct these functions. All costs associated with establishing and operating the regulatory authority would need to be met by the Casino licensee.

**Any other projected benefits for Australia?**

Please outline these.



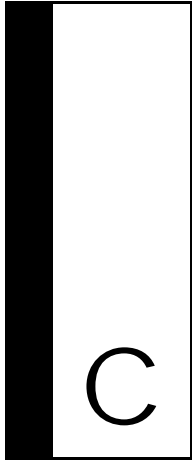


## Appendix B – Submissions

- 1 Cocos Islands Cooperative Society Ltd
- 2 Shire of Christmas Island
  - 2.1 Shire of Christmas Island (Supplementary)
- 3 Phosphate Resources Ltd
- 4 Christmas Island Tourism Association
- 5 Minister for Broadband, Communications and the Digital Economy – The Hon Stephen Conroy MP
- 6 Department of Regional Australia, Local Government, Arts and Sport







## Appendix C – Exhibits

- 1 Information on clam breeding licencing on Cocos (Keeling) Islands (Mr John Clunies-Ross)
- 2 Material concerning Commonwealth use of the Cocos Club (Mr John Clunies-Ross, President, Cocos Club)
- 3 *Our Future – Christmas Island 2018 Plan* (Shire of Christmas Island)
- 4 *Our Future – Christmas Island 2018 Plan – Report prepared by C Change Sustainable Solutions & Anthony Whittaker Strategic Planning Services, January 2010* (Shire of Christmas Island)
- 5 *Indian Ocean Report : Australia and the Strategic Defence of the Indian Ocean in the early to mid-21<sup>st</sup> Century of Western Australia and the External Territories of Xmas and Cocos Islands – An Independent analysis working on Indian Ocean and its implications for Defence and Foreign Policy issues, prepared by Warwick Smith (Mr Warwick Smith)*





## Appendix D – Witnesses appearing at public hearings

### **Monday, 30 April 2012 – Lord Howe Island**

#### **Shire of Cocos (Keeling) Islands**

Mr Alan Clark, Manager, Works & Services  
Mr Peter Clarke, Chief Executive Officer  
Councillor Aindil Minkom, Shire President

#### **Cocos (Keeling) Islands Tourism Association**

Mrs Julianne Bush, Marketing Manager

#### **Cocos (Keeling) Islands Economic Development Consultative Group**

Mr Semat Noom, Committee Member

#### **Indian Ocean Territories**

Mr Brian Lacy, Administrator

#### **Christmas Island Tourism Association**

Ms Linda Cash, Marketing Manager  
Ms Lisa Preston, Chairperson

**Norfolk Island Government**

Hon Andre Nobbs MLA, Minister for Tourism, Industry & Development  
Hon Timothy Sheridan MLA, Minister for Community Services

**Norfolk Island Tourism Advisory Board**

Mrs Louise Tavener, Board Member

**Lord Howe Island Board**

Mr Alistair Henschman, Chair  
Mr Barney Nichols, Deputy Chair & Member

**Private Capacity**

Professor Philip Hayward, Professor, Southern Cross University; and  
Convenor, Small Island Cultures Research Initiative

**Monday, 22 October 2012 – Home Island****Shire of Cocos (Keeling) Islands**

Councillor Rosly Arkrie  
Mr Alan Clark, Manager of Works & Services  
Mr Peter Clarke, Chief Executive Officer  
Councillor Aindil Minkom, President  
Mr Paul Rawlings, Deputy Chief Executive Officer

**Cocos Islands Co-operative Society**

Mrs Aeysha Abdullah, Chair, Management Committee  
Mr Ratma Anthoney, Member, Management Committee  
Mr Azim Denis, Member, Management Committee  
Mr Ron Grant, General Manager  
Mr Balmut Piros, Secretary

**Cocos Islands Islamic Association**

Mr Haji Adam Anthony, Imam of Cocos (Keeling) Islands  
Mr Aindil Minkom, President  
Mr Mohammed Minkom, Secretary  
Mr Azlany Dollar, Member  
Mr Zakaria Lakina, Member

**Cocos (Keeling) Islands Tourism Association**

Mrs Julianne Bush, Marketing Manager  
Mrs Kerenda Keogh, Visitor Centre Coordinator

**Private Capacity**

Councillor Rosly Arkrie  
Mr John Clunies-Ross, President, Cocos Club

Mr Tony Bagnell, Director, On Island Enterprises Pty Ltd

Mr Lloyd Leist

**Wednesday, 24 October 2012 – Christmas Island**

**Arts and Culture Christmas Island**

Ms Patricia Power, Chairperson  
Ms Lisa Preston

**Chinese Literary Association of Christmas Island**

Ms Jeannie Ku, Treasurer  
Mr Tan Teik Kiang, Member

**Christmas Island Islamic Council**

Mr Zainal Abdul Majid, President

**Christmas Island Tourism Association Inc.**

Ms Lisa Preston, Chairperson  
Ms Karenn Singer, Secretary

**Christmas Island Women's Association**

Ms Diane Jarosz, Secretary

**Shire of Christmas Island**

Councillor Foo Kee Heng, President  
Mrs Gan So Hon, Acting Chief Executive Officer  
Councillor Kelvin Lee  
Mr David Nielsen, Manager, Works & Services  
Councillor Gordon Thomson  
Councillor Azmi Yon, Deputy President

**Soft Star Pty Ltd**

Mr Michael Asims, Advisor  
Mr David Kwon, Managing Director & Owner

**Phosphate Resources Ltd**

Mr Clive Brown, Chairman  
Mr Kevin Edwards, Chief Operating Officer  
Mr Lai Ah Hong, Managing Director

**Union of Christmas Island Workers**

Mr Foo Kee Heng, President  
Mr Kelvin Lee, Vice President  
Mr Gordon Thomson, General Secretary

**Wednesday, 28 November 2012 – Canberra****Department of Regional Australia, Local Government, Arts and Sport**

Mr Stephen Clay, Acting Assistant Secretary, Territory Service  
Delivery Branch  
Mr Richard Eccles, Deputy Secretary  
Mr Julian Yates, First Assistant Secretary, Local Government & Territories