



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL
AND EXTERNAL TERRITORIES

Reference: Sale of the Christmas Island casino and resort

THURSDAY, 19 APRIL 2001

CHRISTMAS ISLAND

BY AUTHORITY OF THE PARLIAMENT

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

JOINT COMMITTEE ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES

Thursday, 19 April 2001

Members: Senator Lightfoot (*Chair*), Senators Crossin, Greig, Lundy, Watson and West and Mr Cameron, Ms Ellis, Mr Nehl, Mr Neville, Mr Snowdon and Mr Somlyay

Senators and members in attendance: Senators Crossin, Greig and Lightfoot and Mr Snowdon

Terms of reference for the inquiry:

To inquire into and report on:

- (a) the development and implementation of the tender process followed in the sale of the Christmas Island resort; and
- (b) the outcome of the tender process, the current status of the resort and proposals for the resort's future development.

WITNESSES

HENDREN, Ms Teresa, Tourism Coordinator, Christmas Island Tourism Association.....	171
MASTERS, Mrs Diane Judith, President, Christmas Island Divers Association	133
McLANE, Mr David Charles (Private capacity).....	142
OAKLEY, Mr Philip Carlton, Vice President, Christmas Island Chamber of Commerce	177
O'DONNELL, Mr Noel Patrick (Don), President, Christmas Island Chamber of Commerce.....	177
THOMSON, Mr Gordon Sinclair, Councillor, Shire of Christmas Island.....	107
THOMSON, Mr Gordon Sinclair, General Secretary, Union of Christmas Island Workers.....	120
TURNER, Mr Edward (Private capacity)	162

Committee met at 9.01 a.m.**THOMSON, Mr Gordon Sinclair, Councillor, Shire of Christmas Island**

CHAIRMAN—Ladies and gentlemen, I declare open this public hearing of the Joint Standing Committee on the National Capital and External Territories inquiry into the tendering process followed in the sale of the Christmas Island Casino and Resort. The inquiry was referred to the committee by the Senate on 8 November 2000. The purpose of the inquiry is to examine: (a) the development and implementation of the tender process followed in the sale of the Christmas Island resort; and (b) the outcome of the tender process, the current status of the resort, and proposals for the resort's future development. At the conclusion of the inquiry the committee will table its findings, conclusions and recommendations in the parliament in a report which will be publicly available. The committee normally authorises submissions for publication and they are placed on the committee's web site. To date, the committee has received submissions from interested parties. The submission tabled by Mr Ed Turner is accepted as evidence to this inquiry and is authorised for publication. If you would like further details about the inquiry, please ask any of the committee staff present at the hearing for assistance.

I welcome Mr Gordon Thomson from the Shire of Christmas Island. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Are there any corrections or amendments you would like to make to your submission, Mr Thomson?

Mr Thomson—Yes, I wish to make further submissions. I have three documents marked SOCI 1, SOCI 2 and SOCI 3—SOCI is the abbreviation for Shire of Christmas Island.

CHAIRMAN—The submissions tabled by Mr Thomson are accepted as evidence to this inquiry and are authorised for publication. The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee you may request that the hearings be held in camera and the committee will consider your particular request. Before we ask you some questions, do you wish to make an opening statement?

Mr Thomson—Yes, I do, thank you. I wish to address the items that I have tabled. Item 1 contains an exchange of correspondence between the President of the Shire of Christmas Island at the time, Mr Dave McLean, and the Administrator of Christmas Island, Mr Bill Taylor; a letter on the letterhead of APSC from Mr David Kwon to Mr Willie Teo dated 18 September; and articles extracted from *The Islander* magazine, the official publication on the island. I draw your attention in particular to the letter from APSC to Mr Willie Teo of Christmas Island Phosphates.

In the written submission of the shire made earlier this year, point 1.3 states that SOCI believes the perception of a conflict of interest was apparent for some time before, during and after the sale of this resort to Soft Star Pty Ltd. The perception of conflict of interest lies in the relationship between the former official secretary of the Christmas Island Administration, Mr Graham Nicholls, and Mr David Kwon, the proprietor of Soft Star Pty Ltd and principal of APSC. Mr Nicholls is now an employee of APSC.

The bundle of papers marked SOCI 1, as I mentioned earlier, deals with an exchange of correspondence and certain public statements made by the shire president on behalf of the shire. It contains responses from the Administrator. I do not think there is a response from the minister. The perception of a conflict of interest arises in our view because of the relationship I have just described. The correspondence exchanged between Mr McLane for the shire and Mr Taylor for the administration deals with the manner in which the apparent conflict of interest was dealt with once it was known that Mr Nicholls was resigning—he gave notice in August 2000 that he would be resigning and taking up a position with APSC. As we know, the principal of APSC was the purchaser through his company Soft Star of the resort. The exchange of correspondence between the shire and the administration goes to some lengths to say that Mr Nicholls would be removed from all decision making on anything to do with APSC or Soft Star matters.

CHAIRMAN—Are we in possession of that correspondence?

Mr Thomson—Yes, it is the bundle marked SOCI 1. Contained in that bundle is also a letter from Mr Nicholls to CIP, which identifies his own intention to be removed from the processes to do with APSC and Soft Star. We believe that the perception of conflict of interest is more or less proved in that Mr Nicholls was not due to relinquish his position as the official secretary of the Christmas Island Administration until a date after he participated in a meeting. I think he was due to relinquish his position on 20 September. Prior to that date he participated in a meeting with Mr Willie Teo of Christmas Island Phosphates and Mr Paul Maberly of APSC. If you read that letter you can see that the dates of those meetings are mentioned, and that sustains our argument that there was an apparent conflict of interest. We think that this more or less proves that. It is the only evidence we have. It was a widely held view on the island—small communities do develop views—but this is the only basis of fact that we can point you to. We would like to add that it is a fairly widely held view that Mr Nicholls, through his position, may have been able to influence decisions made by the Commonwealth. As its principal bureaucrat on the island, he may well have been in a position to influence decisions in favour of his prospective employer. That is our submission on the apparent conflict of interest.

CHAIRMAN—Mr Thomson, I must advise you that unless you have evidence that cannot be rebutted by this committee or a legal opinion that supports what you say—

Mr Thomson—No, we do not have a legal opinion.

CHAIRMAN—I want to offer you the protection of this committee but the committee cannot give you protection with respect to parliamentary privilege. I feel I have to warn you that, in my view at least, you are encroaching upon an area that may suggest something adverse to Mr Nicholls and, therefore, be defamatory.

Mr Thomson—Thank you for your guidance, Senator. I simply address the documentary evidence we have before us. I refer to a perception that there may be a conflict of interest. My statement is that the only evidence we seem to have is that letter. We believe that if you are not involved, you are not involved. He was involved in a meeting. That is all we have to say about it.

CHAIRMAN—You may proceed, Mr Thomson. I just thought it proper to advise you.

Mr Thomson—Thank you. That is all I have to say on the matter of conflict of interest. I have put two further documents before you. One is a letter addressed to me and circulated to the shire council. It is marked SOCI 2. It is from Senator Ian Macdonald to me. In it he answers concerns raised generally in the community but directly by me about setting conditions on the sale of Christmas Island resort to Soft Star. The condition the community sought, and which was communicated to him, was that the resort be used only for the original purpose it was built. The minister wrote to us reassuring us that that was the case and quoted a clause from the resort lease. I quote from the second sentence of the second paragraph of the minister's letter:

The purpose clause in the resort lease states that the premises are to be used only for "a hotel/casino and ancillary thereto ...". A change in use would require the approval of the Commonwealth.

It is our submission that there is a danger in transferring the lease arrangement to a freehold arrangement. We think that is a real danger. The minister visited Christmas Island in July 2000, some two months after the sale of the resort to Soft Star. On the itinerary for the minister's visit was an item which broadly said that the minister would be talking to Soft Star about freehold title for the Soft Star resort leases. I raised that question with the minister and presented him with this letter dated 25 May at a meeting with councillors during his visit to Christmas Island.

The question put to the minister was: if you freehold the land tenure at the resort, does that mean the resort operator and owner, Soft Star, is then free of obligations under the previous lease arrangements? He did not answer that question. It is our view that that would be the case. It is our view that the minister is still considering creating freehold title for Soft Star's resort leases. It is our submission that it is not in the interests of the community of Christmas Island for freehold title to be granted to Soft Star for the resort leases.

The minister gave an assurance in May to this community after the community raised serious concerns about the future of the resort. Our view was that the principal of the two companies—APSC and Soft Star—was the same person and that the new owner was more likely to use the facility as an administrative and accommodation facility for his APSC project rather than for operating a resort. That was a widely held view and it was put to the minister. The minister wrote back to us in May and said, 'Don't worry about that. It is not going to be like that, because the lease says it has to be a resort.' Now he is considering a freehold title. That is clearly not in the interests of this community.

That resort is the focal point and is the key infrastructure for our tourist industry on the island. Nobody on Christmas Island wants to see that resort do anything but be a resort. All of the small operators who cater to the tourists who come to the island and the industries and small businesses that were built up over the years that the resort was operating are hanging on like grim death. They are waiting for that resort to be up and running so there is the volume of tourists that will restore them to a fairly profitable operation. Without the resort as a tourist facility our tourist industry is very much in doubt. Those people who have been holding on for so long will just pack up and go if we cannot see that resort functioning properly as a resort. That has been raised with the minister and he has said it is not going to happen. We are still hearing stories about freehold title being available if Mr Kwon is able to persuade the minister that he is going to do certain things.

If freehold title is granted, it is our view that the Commonwealth and therefore this community would have no power to determine the appropriate uses for this prime island asset. It is totally unacceptable to our community, as I have said, that that should happen. We seek findings from this inquiry which go beyond the immediate concern about the resort. Principally, we would like to see that freehold title is not given. All major decisions, apart from the decisions the shire makes about collecting garbage and filling potholes, are in the hands of the minister. We think that there is too much room for people who have other interests, for the minister to be not properly informed and for the minister to be making decisions on advice from a very narrow spectrum of thought and knowledge. Therefore, we think it is unsustainable for this community to live under a regime of the minister makes all decisions. Effectively, the community has very little decision making power—almost none that counts.

We therefore seek findings from this inquiry which go beyond the immediate concern of the resort. We call on the parliament to immediately place decision making powers on the question of land use in the hands of the elected local government of Christmas Island. We call on the parliament to make provision for the full participation of the people of Christmas Island in decisions on day-to-day administration and the long-term future of the Christmas Island community. We call on the parliament to make provision for processes for the development of self-government in lieu of a rule by Commonwealth dictate.

We call on the parliament to make provisions for the allocation of financial resources necessary for the future economic and environmental sustainability of Christmas Island and, in particular detail, I go to SOCI 3 which is an extract from the Shire of Christmas Island submission to the joint standing committee on your visit to the island in August last year. It is entitled ‘An airline policy for the Indian Ocean territories’. One of the immediate steps that the parliament could take is to make a provision or a legal requirement that the minister must consult with the Christmas Island community to develop an island-based airline service in accordance with the shire submission to the committee made in August 2000. That concludes my additional submission from the shire.

CHAIRMAN—Thank you, Mr Thomson.

Senator GREIG—Mr Thomson, your submission principally argues that there ought to have been strong council involvement in the development of the tender process. Had that been the case, do you think that we might have seen a situation where the perception of the conflict of interest, to which you referred, might have been avoided and, if so, how?

Mr Thomson—If you involve the people of the community, you will come up with ideas for projects from the community who have to live with the decisions that are made. The tender process was developed in isolation. I have no doubt that it was developed in accordance with the law. There were constant challenges to the liquidator’s actions. At every step of the way, the former owner of the resort tried to stop the liquidator from doing his job. That was very frustrating for him and for everyone on the island. But it was only after shire president Dave McLane initiated the establishment of a committee of inspection, which I think first sat in late 1999, that we had any community input or inside knowledge of what the liquidator was doing. I do not think the liquidator was necessarily doing anything wrong; he was following the law and he was working under extremely difficult circumstances. But the political support which this community can provide to someone who is trying to do a job for them must be of enormous

value to him. From conversations I have had with people who sat on the Committee of Inspection, it would seem that he took great comfort, from the encouragement he was given, to take action which may have been a little risky in order to proceed to the conclusion of the tender process. However, it was all a bit late.

The involvement of the community would set certain targets. For example, if the community were aware of the value of the resort, maybe we could have moved earlier—as we did when it appeared a bit late—to get a community bid going for the resort. Once the tender process failed, perhaps the liquidator could have met community leaders on the island, something that the minister is not afraid to do. The liquidator operates in the business world in a big city. I think he could have spent a bit of time here consulting us.

Senator GREIG—Do you think that part of the circumstances that have brought about this discussion today relate to cultural differences—not ethnic cultural differences, but mainland/island cultural differences which are so much a part of the disagreement and conflict which often occurs?

Mr Thomson—On the contrary; I think the remoteness of our location meant that there was less opportunity for the community to have input into the liquidator's processes. On the mainland we would have been far more active in lobbying him, but direct access to him was not easy. I do not know that there was a huge cultural difference, and I am not sure what the law on liquidations is specifically about consultation with the affected community, but we are a unique community. We do not have the proper operation of state type services, we do not have easy access to legal advisers, and we do not have easy access to political representation. Our elected members from the Northern Territory find it almost impossible to get to Christmas Island with the way the air services operate. Our remote location has militated against an effective communication with the community.

I do not put that down to any cultural differences between Christmas Island and the big city; I put that down to the fact that, yes, there are cultural differences, but the plain old ordinary access that most people would have to liquidators was not there, and that militated against him involving us as much as us involving him. So perhaps the recommendation would be that in such circumstances special conditions should apply.

Senator GREIG—Do you think there could be any positive spin-offs from the possibility of the land use going to freehold? As the devil's advocate I am suggesting that you might have a freehold situation where you have time-share ecotourism possibilities and opportunities.

Mr Thomson—I do not think you need to have freehold title to make an application to the minister or to the shire, which, as we are arguing, should be the decision maker in this case. I do not think that any reasonable authority wanting to see economic development in this place would be putting anything in the way of someone who is trying to develop it as a tourist facility. We are saying that you remove the power of the minister and, therefore, of this community when you freehold—he does what he likes or does nothing. That is what is happening now: nothing.

When we met Minister Somlyay in Sydney in 1998, it seemed to me that the Commonwealth had enormous power and, if he had exercised it, there would not have been the liquidation

process and the tender process that we have seen. He could simply have withdrawn the rights of the previous operator to occupy those leases. The minister had total control, as I understand it—not that we can get copies of the leases, mind you, and we would like that. But, as I understand it, the minister could have acted very differently. He cancelled the licence and allowed an aggrieved party, a former shareholder, Mr Frank Woodmore, to proceed to operate under the liquidation law in pursuit of his interest—and ours. But he had the power then to say, ‘You’re off; you’re not using those leases in accordance with the lease agreement.’ That is my understanding. It did not happen; why not?

So, in answer to your question, if you want to put anything on that land, and it makes sense for our community, our community will say, ‘Yes, but you remove the power of this community or the minister on behalf of the community to make those sorts of decisions when you freehold it.’ That is the big problem. If you want to do something good out there for the tourist industry, you will have our full support, but if we are not in the picture, it will not matter what we think and it will not matter what we say. The message we are getting from Mr Kwon—you will hear it later in the UCIW submission—is that he is not even interested in answering letters and he is not interested in effectively communicating with this community, so why would you hand him freehold title?

Senator GREIG—As a last question, you brought up again the island’s continuing grievance with air flight and air travel and you talk about the prospect of an island based air service. Has the council had time and opportunity to put together some kind of concept plan for how that might work, and have you have the opportunity to present that to the Commonwealth?

Mr Thomson—Yes, there was a consultation, and I expect there were several discussions with all of the community groups, all of the interested parties at the time. You will appreciate Dave McLane was the president of the shire until 31 January and he had carriage of most of those issues. But I did participate as a councillor, as did other councillors, in an initial discussion when the minister was here about getting some airline services going. I know that the shire through the elected president spent considerable effort on attracting interest in running the air services, but it seems to us that it was set up to keep it going as is.

I think the minister may have been amenable to some suggestions. So what? The effect is we now have a new air service agreement, the airfares are going up—from 1 May, I think—another \$200, so it will cost you \$1,680 economy to Perth. They are increasing the fares, so with inter-island tourism you cannot have a package from Perth, you go to Christmas Island for a week and you go over to Cocos for a week. That does not work anymore. It is going to cost you \$2,000. So we have been really hit very hard with this new agreement—economy airfare gone up to \$1,680 and you have got to pay a much more significant payment for the inter-island route. So it is a real killer.

And, as I understand it, they have increased the subsidy to the airline. It is a very bad deal. We think the Commonwealth moneys that are going to subsidise the NJS service would be better spent on working with the community to establish an air service based on the island which would facilitate the tourist traffic through Jakarta-Singapore from the north. We have an enormous market in Europe, Japan and Singapore for tourism, but we cannot get them here because you cannot get on the international booking system because you do not have regular scheduled services. It is a very bad situation.

Some initiative, some goodwill was present for a few minutes last year when we jumped up and down as a community in unison against what the territories office was trying to shove down our necks. It did have some little effect, but we ended up with the same old story but much worse. So it is certainly an area where the Commonwealth has got to sit down with the community immediately and decide how we are going to work together to get that service on the island. It might mean some expenditure from the Commonwealth, and it would be very good investment in the future.

CHAIRMAN—Mr Thomson, before I defer to the deputy chairman, you said that they have increased the subsidy. Who is 'they'? Is that the Commonwealth?

Mr Thomson—The Commonwealth.

Senator CROSSIN—Mr Thomson, I just take you to the minister's letter of 25 May last year. This was obviously sent to the Union of Christmas Island Workers after Soft Star had signed the agreement and paid for the resort. Is that correct?

Mr Thomson—That is correct.

Senator CROSSIN—We heard from the liquidator yesterday, however, that at no time were they ever made aware of any of these sorts of conditions from the minister, that there was an indication from the minister that it would be highly desirable and expected that such a condition would be part of the sale. Have you got any communication from the minister as to what he may have said to the liquidator or what terms the department of territories would have given to the liquidator in terms of the sale?

Mr Thomson—No, we were very much kept out of the loop there.

Senator CROSSIN—So from your point of view obviously the minister's words are not translating into any conditions now by Soft Star. What has been the further action on this letter since 25 May last year?

Mr Thomson—From the shire's point of view, Mr McLane, who I understand is making a submission today, maybe could deal with what happened inside the Committee of Inspection. But, publicly, that letter is it. We fronted the minister in July with that letter when we heard that he was talking about freeholding title to Soft Star. As I said, there has been nothing from the minister that I know of to the shire about protecting the interest of the community, about a guarantee not to freehold. In fact, it is the opposite. We have heard that he is still thinking about it and that anybody on Christmas Island can walk up to him with a good reason and get freehold title. We are totally opposed to that.

CHAIRMAN—Do you have any documentation of that?

Mr Thomson—No.

CHAIRMAN—It is just hearsay?

Mr Thomson—Yes. Sorry, there is documentation I cannot present. It is contained in a press release from the minister's office, which contains words to the effect that, if Soft Star does the right thing and if anybody else wants to freehold, generally he is accessible to that idea.

CHAIRMAN—Could you make that available for the committee if you find it?

Mr Thomson—Yes.

Senator CROSSIN—The shire was involved in the meeting of the Committee of Inspection. Is that correct?

Mr Thomson—Yes.

Senator CROSSIN—So were you at any time made aware of some of the outstanding conditions of the lease and the lease conditions that were being put by ComsWinfair?

Mr Thomson—Sorry, I am not fully briefed on that. I was not a member of the Committee of Inspection until this year. I have had one meeting. I think Mr McLane addresses some of those issues in his submission.

Senator CROSSIN—We received yesterday ComsWinfair's submission into this inquiry. I want to read to you a paragraph of this. I understand there were some outstanding conditions and arrangements they were trying to negotiate with the minister prior to the tender process being terminated for them. They say:

The resolution of lease and licensing uncertainties on reasonable terms would, we believe, have established a value for the properties closer to the \$11.5 million ...

Was the shire council ever made aware of that figure during this process?

Mr Thomson—Not to my knowledge, but again I was not part of the Committee of Inspection.

Senator CROSSIN—So you have become part of that committee now?

Mr Thomson—Yes. Since the resignation of Dave McLane, I now represent the shire.

Senator CROSSIN—How often is that committee meeting?

Mr Thomson—There was one meeting in February this year.

Senator CROSSIN—And it has never met on the island?

Mr Thomson—Not to my knowledge, no.

Mr SNOWDON—Mr Thomson, can I take you to the issue of freeholding? Would it surprise you to know that as early as August 1998 there was correspondence between the liquidator and the department on behalf of the minister requesting advice on the issue of freeholding?

Mr Thomson—That would surprise me.

Mr SNOWDON—Would it surprise you to know that in the draft leases for the casino dated 13 March 2000 under the heading ‘Australian Government Solicitor’ there is an expressed clause in recital 2.1 that the ‘grantee is granted to the grantor a lease with an option to purchase the freehold title to the holder of the land comprised’?

Mr Thomson—That does disturb me.

Mr SNOWDON—Has there at any stage been any discussion at all of a formal nature between the administration and/or the minister’s office with this island community about its intentions to provide this option of freeholding these leases?

Mr Thomson—Not with this community.

Mr SNOWDON—That being so, can you confirm for the record that there has been no formal discussion with the shire council over the issue of freeholding—by the liquidator, the minister or the administration—since August 1998?

Mr Thomson—There was only one discussion, and I referred to that in my earlier submission. We put that letter to the minister on his visit in July last year. His response was, ‘Humph,’ a glare, a stare and no answer. There is still no answer, except for a press release on 9 February.

Mr SNOWDON—To your knowledge—and I understand that you were not on the Committee of Inspection until recently—was the Committee of Inspection ever briefed by the liquidator or by Commonwealth officials about the possibility of freeholding the title?

Mr Thomson—Certainly not to my knowledge.

Mr SNOWDON—What is the current status of land use planning on the island?

Mr Thomson—The minister informed us in his meeting with the shire in July last year—at the same time that we discussed the Soft Star freehold issue—that he would make an announcement very shortly about his land use strategy and plan for Christmas Island. There has been no announcement to date.

Mr SNOWDON—What involvement has there been over, say, the last two or three years of the island community in the development of land use planning?

Mr Thomson—I believe the former president of the shire, in his capacity as president, participated in some meetings with the administration—I think it was a land task force or something like that.

Mr SNOWDON—Have there been any formal presentations made to the shire council by the administration or the Commonwealth on the issue of land use planning?

Mr Thomson—Only to the extent that there has been discussion about the shire developing a town plan. The shire has, as I understand it, written to the Commonwealth asking the Commonwealth if they, the Commonwealth, will adhere to the town plan once it is proclaimed. At this stage, I understand, the Commonwealth are dragging their feet and trying to get around that question—that is, they have not made a formal commitment to abide by the town plan. I have heard one report that the minister thinks the administration should do that, but to my knowledge a formal request from the shire to the Commonwealth has not been answered to that effect yet.

Mr SNOWDON—Has there been any formal discussion with the shire council on the issue of the nature of any land which might be made available for commercial use, in terms of whether it should be leasehold or freehold?

Mr Thomson—I am not sure of the content of discussions between the officials of the shire and the officials of the administration. All I can say is that the product of those discussions is not yet evident—that is, no formal paper has been circulated to councillors about the Commonwealth's plans as yet, except for the issue of the town plan.

Mr SNOWDON—Could you take that question on notice and come back to us with a written response to that question, please.

Mr Thomson—Yes.

Mr SNOWDON—Can you tell us whether there have been discussions with other people in the community, apart from the shire council, about the issue of commercial freeholds?

Mr Thomson—No, I cannot answer that.

Mr SNOWDON—Are you aware of any discussions which might have taken place since February 2000 with Mr Kwon or other representatives of Soft Star about the issue of freeholding?

Mr Thomson—I am not aware of any discussions.

Mr SNOWDON—To summarise: there has been no formal discussion with the council representing the Christmas Island community by either the administration, the Commonwealth, the liquidator or anyone else about the question of providing freehold title to the hotel-casino lease?

Mr Thomson—No, we have made it clear to the minister that we oppose making that land freehold.

Mr SNOWDON—On what basis, if any, would you consider it appropriate for the minister to make a determination that he should make that land freehold?

Mr Thomson—There is no basis for the minister to make that land freehold—none at all. In fact, it is the shire's view that those land issues should not be determined by the minister without the agreement of the shire.

Mr SNOWDON—What is the shire's view—and I understand the point you have made about an airline policy—about the progress to date of the development of the hotel-casino lease under the managership of Soft Star?

Mr Thomson—It is not operating in accordance with the expectations that we were given by Soft Star. At the time that it became known on the island that Soft Star had signed a contract of sale in April 2000, we sought assurances from the minister and the Administrator that the purpose of the resort would be retained as a resort, not as a construction camp or administrative centre for APSC.

APSC put out a press release—you will get a copy of that in the UCIW submission—saying that they were going to go through a period of refurbishment, seeking various contracts, et cetera, and that they would have the resort restored to the full operating capacity of its glory days within 12 to 18 months. To my knowledge, no contracts have been let for any refurbishment project. We observe what goes on at the wharf; nothing has been imported. There is no evidence that Soft Star have carried out the work that they said they would do within 12 to 18 months to have it up and running at full capacity. On 5 May it will be a year since Soft Star took possession of the property, and we have not seen any work out there at all. So we have got some doubt about where it is headed. It is a very strong concern and a very good argument for not giving freehold title.

Mr SNOWDON—Subsequent to the purchase of the lease by Soft Star, has the shire council or its representatives had any formal, ongoing negotiations or discussions with Mr Kwon on the question of the hotel-casino?

Mr Thomson—I understand that Mr McLane, as president of the shire, undertook discussions with Mr Kwon from time to time when Mr Kwon visited the island. I was never party to those discussions, and I am sure that, at the time, Mr McLane was carrying out his duty to maintain relationships with people with business interests on the island. I am not aware of any detail of those sorts of discussions, but I think Mr McLane could be tested on what he thinks about that.

Mr SNOWDON—Have there been any discussions that you are aware of or have been advised of with the representatives of the shire since January this year?

Mr Thomson—No, we have had no discussions with anybody about the resort this year.

Mr SNOWDON—So, despite the fact that Mr Kwon put out a press release in May last year, I think, announcing his intention to open the hotel-casino resort within 12 to 18 months, there has been no formal discussion this year with the shire council about progress to date or about his intentions about the future development of that lease?

Mr Thomson—Not to my knowledge.

Mr SNOWDON—Do you know if he has had any discussions with anyone else on the island about that?

Mr Thomson—No, I have no knowledge of any discussions.

Mr SNOWDON—What is your view of the frustration that, no doubt, Mr Kwon feels about the lack of an air service to the island? Do you see that that might be a contributing factor to the fact that he is reluctant to spend any additional resources on the casino?

Mr Thomson—If you are asking for my opinion, my view, unsubstantiated—

Mr SNOWDON—Yes.

Mr Thomson—I think there are probably two reasons that Mr Kwon has not done much about the resort. The first one is that—our fears appear to be confirmed—he will use the resort if and when he gets the space project happening. They have talked about starting it this year. He would probably like to use it as an accommodation-administrative centre; that is our belief. The evidence suggests that there is not much happening to make it a resort.

In terms of the air services he has an argument, which the community has been putting. I would say that that is probably the only real notice he has taken of what the community has to say. Everybody knows air services are vital and appropriate air services include services to the north which are regular passenger transit services. He has the same problem as everybody else. But I think he is piggybacking on a community issue and I do not see any attempt by him to make that resort work. We do have a community airline, which functions very well. From time to time it has its problems but in general it has kept the island going—fresh food and tourists.

Mr SNOWDON—I am aware that ComsWinfair made a number of visits to the island, prior to proceeding with their tender, to look at the possibility of the resort. What discussions did the shire have with that party?

Mr Thomson—I understand Mr McLane met with ComsWinfair, and I understand there was some ‘disturbance’ to their thinking occasioned by some discussion Commonwealth officials had with ComsWinfair when ComsWinfair was on the island. I am not party to any of those discussions, so I do not know exactly what the issues were.

Mr SNOWDON—Are you aware whether Soft Star made any similar assessment, or had ongoing discussions with people on the island, about the prospects of opening the hotel-casino prior to them making a bid?

Mr Thomson—No. The press release, I think, put out by Soft Star apologises for the well-kept secret being a secret—commercial requirements and all of that. The first we knew of the resort going to Soft Star was the middle of April.

Mr SNOWDON—What is the current expectation of the shire council in terms of the future of the hotel resort? What do you believe you want out of it?

Mr Thomson—Our expectation—and I think this is a total community position—is that the resort facility must be operated as a resort facility, and that the Commonwealth has a responsibility to ensure that timetables are set and met. The Commonwealth has the powers, with regard to control of leases, to make sure that happens. The Commonwealth seems extremely reluctant to do that. We believe that the satellite launching facility has become the ‘big project that is going to save the whole of Australia’, it is of national interest, and everything is subsumed by that project. I think the Commonwealth’s attitude is: Mr Kwon can do what he bloody well likes with the resort; we want him to put a space station here. There are very strong statements coming from the Commonwealth about that—from the administration. We have had an official secretary who has gone off to work for APSC. We have a former CEO of the shire gone off to work for APSC. All of the talent, all of the resources, all of the thinking, all of the strategies—everything—is going to be beautiful when the space station happens! So they are not going to do a damn thing about his activity or lack of activity at the resort, because the big thing for them is the space station. And as far as I know they could be going to Brazil.

Our view is that this community is being held to ransom by some fantasy about setting up a rocket launching station. Everything is on hold until that is resolved. It is a very desperate situation when you have got a Commonwealth government holding a community hostage based on an unsigned, uncommitted proposal to set up a space station. It is crazy. It is wrong, and I hope the committee is able to make sure that that situation does not obtain any longer.

Senator CROSSIN—Have you been given any guarantees by the minister following his letter of 25 May last year, to the effect that a change in the transfer of the leases or the conditions of the leases would occur only with consultation with the shire council or the community?

Mr Thomson—No; that is certainly not the case. There has been, to my knowledge, no guarantee. My experience and observation is that the Commonwealth regards Christmas Island as a place where the minister and the territories department will make all decisions and it is not really of great moment that the people of the island might have something serious to say about those issues. There is a consultative mechanism through the Administrator’s office, but we do not see too many results.

Senator CROSSIN—What is the consultative mechanism?

Mr Thomson—Every now and then there is a meeting of the Administrator’s advisory committee.

Senator CROSSIN—Does the Union of Christmas Island Workers have a proposal or any thoughts about the way in which payment of the workers’ entitlements could be—

Mr Thomson—I would like to deal with that in my UCIW submission. I am trying to wear the SOCI hat at the moment.

Senator CROSSIN—Sorry. I will ask you that question in a moment, then.

[10 a.m.]

THOMSON, Mr Gordon Sinclair, General Secretary, Union of Christmas Island Workers

CHAIRMAN—I will now allow Mr Thomson to put a different hat on, as representative for the Union of Christmas Island Workers. Are there any corrections or amendments you would like to make to your submission?

Mr Thomson—Yes. I table two documents, marked UCIW 1 and UCIW 2. UCIW 1 is effectively a chronology of activity the union has been involved in since 1999 in relation to the resort, including our attempts to coordinate a community bid for the purchase of the resort, in April last year.

CHAIRMAN—Is it the wish of the committee that the documents tabled by Mr Thomson representing the Union of Christmas Island Workers be accepted and received as evidence to the inquiry? There being no objection, it is so ordered. Mr Thomson, before we ask any questions, do you wish to make a further opening statement?

Mr Thomson—Yes. I would like to broadly outline the content of the document marked UCIW 1. There are a number of issues the union took. One very important one was in response to the concerns of our members and the concerns in the business community. In April last year, the week before Easter, we discovered that the sale of the resort had occurred. There was a contract of sale. I contacted the liquidator. The liquidator said that the last thing that was required was for the minister to assign the leases to the new owner for the sale to be effected.

I contacted the minister's office—a rare occasion—and I spoke to Mr Don Morris. That was in the week before Easter, or the week in which we had Good Friday in 2000. I asked Mr Morris where it was at. He told me that it was likely that it would take three weeks for the minister to get to the paperwork. It had to come back from the bureaucracy, the legal advisers and so on, and it would take about three weeks for the minister to consider the assignment of leases. With that knowledge and the knowledge that the resort had a price of about \$5.7 million for the contract of sale—so we were informed—we set to work. The reasons that we set to work were that people were very concerned that the resort would be locked up. Many statements were made to this effect, that it would not be a resort.

The business community was particularly concerned. These documents deal with community concerns and what we were going to do about it. We went from there and launched an assault over a period of a week, including the Easter break, where we contacted various people overseas and on the mainland about what sort of support we could get for a community bid for ownership of the resort. There was encouragement from all quarters, including the Christmas Island Chamber of Commerce and the Christmas Island Tourism Association. All of the leaders of the community groups were called together, and there was total support for some form of bid to occur from the community. We, including the Chamber of Commerce, considered putting a position to the minister, demanding that certain conditions be met before he assigned the leases.

The minister's office may have been a bit alarmed at the idea that the community might make a bid for the resort, I do not know, but certainly the week after Easter—which was a couple of working days, and not three weeks later—the minister was able to assign the leases. So the three weeks that we thought we had to put together a community bid turned into about three days and we lost our opportunity. The correspondence deals with some of those issues.

The union wrote to the minister asking for certain conditions to be set. The community groups signed a letter asking for the minister to set certain conditions on the sale of the resort. We met with people from Taiwan who were junket operators and tourist operators, tour guides, about the prospects for the resort being a profitable operation. We have sought from the minister commitments to underwrite the payment of workers entitlements. It is now three years since the resort closed. The workers have not been paid their entitlements. The Commonwealth has, by administrative arrangement, set up a system for paying workers entitlements when companies go into bankruptcy or liquidation.

You will recall that that occurred after the Prime Minister's brother got into trouble, and his workers faced the situation that their entitlements would not be paid. The arrangements that the Commonwealth has made for the protection of workers' entitlements may not be good, but they are something. The arrangements apply only to workers whose entitlements were put in jeopardy after the Prime Minister's brother got into trouble, I think last year. We do not have the benefit of that Commonwealth scheme to guarantee workers' entitlements. There is somewhere between \$2½ million and \$3.2 million in outstanding entitlements that should be paid to workers.

The protracted legal argument by the former owner of the resort to have the liquidator's appointment voided and set aside is now before the High Court. The High Court was due to sit in Perth in April. The High Court did not list this matter. The High Court will sit in Perth in August and probably will not list this matter because, on application from the liquidator's office, it was told it was not a high priority matter for the High Court to deal with. So we are facing an indefinite period—another three years, maybe—before the High Court finally determines the validity or otherwise of the liquidator's appointment. We have written to the minister and said, 'If you were so sure that the liquidator's appointment was valid that you were able to assign the leases to a new owner, you should be just as sure that the liquidator will be able to pay the workers' entitlements. Therefore, the Commonwealth should underwrite the payout of these workers unpaid entitlements.'

The liquidator will not pay out the workers' entitlements until his appointment as liquidator has been validated and all of the court actions that have been initiated against that appointment have ceased. The liquidator has been told by a lower court that he can pay it out but, if his appointment is not valid, he will be paying it out of his own pocket, and the property will revert to the former owner. It will be an absolute mess.

The critical point is this: this minister was so keen to give the resort to the new owner, Mr Kwon, that he gave him the leases. It is strange, to me, that the Commonwealth should be the principal agent in a sale of this nature. If he signed the leases and got a new owner, the minister must be very sure. How about the minister tells the liquidator to pay all our members entitlements today? If the liquidator's appointment is found to be valid in three, four or 15 years time, you will not have to worry. Just guarantee the liquidator. Tell him that the Commonwealth

will underwrite. If the Commonwealth says to the liquidator, 'You pay the workers their \$3 million in entitlements and, if you fall over in the High Court because it is not valid, we will pay,' then the liquidator will pay. All the liquidator is worried about is that, if he pays now and the High Court says he was not validly appointed, he will have to pay it out of his own pocket. Liquidators do not stay in business with that sort of thing. I think the Commonwealth has a very clear obligation, which it recognised in 1999-2000, to underwrite the payment of workers' entitlements. But Christmas Island missed out. The minister had the power to do something else before. He is sure of his ground. Sign over the leases, and underwrite the workers' wages. Why not?

Senator GREIG—Mr Thomson, can you give us an idea of what kind of personal payouts we are talking about here? What does it mean to the average worker who lost their job through this process? And what does that mean in the socioeconomic environment of Christmas Island?

Mr Thomson—We have an unemployment level of no less than 25 per cent on the island. A lot of people have left the island. The social effect is obvious—families break up. There is a combination of factors. For schooling at years 11 and 12, students have to travel off the island. A couple may have been able to get by sustaining two households—one of Christmas Island, one on the mainland—when they both had a job, but the 300 people who lost their jobs at the resort are no longer employed. What we are seeing is a splitting of families for two reasons: (1) jobs on the mainland; and (2) if they do not get a job on the island then usually the mother of the family goes off to be with the kids at school on the mainland. The splitting of families is a terrible social effect. When the resort is functioning, the families, if they are employed, can afford to have two households—one here and one on the mainland—to support their kids on the mainland. That is a cruel reality—kids have to go off island for years 11 and 12. That is one social effect, indirectly affected by another Commonwealth policy.

Obviously, the whole economy of the island has suffered. As I said, there is the high unemployment rate and people are desperate for employment. It is a tragedy. We do not have, in my view, appropriate Commonwealth programs for training and job creation on the island. We have consistently seen the Commonwealth allocate contracts to mainland contractors for building public housing, for example. Employment opportunities are denied to local trades people and people with other skills. We have had no recognition of the disaster, socially and economically, on the families of Christmas Island. Does that answer your question?

Senator GREIG—Yes, but without the specifics. What kind of payment are we talking about for the average worker who lost their job through this process?

Mr Thomson—\$7,000 to \$18,000.

Senator GREIG—So it is a lot. Has the union approached the government with regard to your advocacy of the use of local workers rather than contract labour? If so, what was the response?

Mr Thomson—In 1999 I had a couple of meetings with local contractors. We wrote to the Administrator asking that certain steps be taken in line with some mainland practices where local contractors get a five per cent differential—that is, a local contractor is allowed to charge five per cent more than a metropolitan contractor. That is seen to be a mainland arrangement to

protect local communities. The Commonwealth was not interested in that proposal, and there was some talk about the ACCC.

There may have been a result in that one local group went into a joint venture to construct one of the public housing projects, out of three. But all other contracts have gone off island. The trenching contract for Telstra also went off island, but local labour, equipment and contractors were used in subcontracts. There is no effective mechanism or initiative to promote it and no proactive work being done by the Commonwealth to coordinate it and ensure that local workers get the work that is done on the island. There is no assistance whatsoever.

Senator GREIG—Do you find that the young folk who leave for the mainland for education and training have a keenness to return to the island if there is work here for them?

Mr Thomson—Yes, absolutely. They are very keen. We have contact with many of our local people who have gone off island and we have maintained a list of people who are ready to come back straightaway if the resort reopens. They ring up frequently.

CHAIRMAN—What involvement, if any, did you have with other tenderers throughout the tender process?

Mr Thomson—None. I had a letter from ComsWinfair, who advised they were coming to the island on I think 22 November 1999. I understand that the shire president met with ComsWinfair. I agreed to meet with ComsWinfair as the secretary to the union, but their time on the island was short and we did not connect. They had other issues that sort of ambushed them.

CHAIRMAN—Was the Union of Christmas Island Workers ever interested in tendering?

Mr Thomson—Yes.

CHAIRMAN—Why was that inhibited? Why was that not completed?

Mr Thomson—We became interested in tendering as part of a community group, drawing support for venture capital from offshore, in April 2000 after we became aware of the sale to Soft Star. There were two reasons for that interest: one, we did not believe that Soft Star would use the resort as a resort, as I have said before; and, two, the price being asked was beyond your wildest dreams. We had anticipated at least a \$30 million price tag and about \$12 million for refurbishment when discussing that in 1998-99. It was out of the question to be able to raise that sort of capital on the island or from our friends who had helped in raising capital for setting up the mine in 1990. We did resort to our friends who helped set up the mine. We were able to put together a draft submission, which was not submitted, and a tender proposal that would have suggested a price of 6,000 with some profit sharing of up to \$10 million over a number of years.

We did have a proposal, but that was killed off because of the shortening of our time. We thought we had three weeks to put something together. After we found out the price it was going for, we foolishly told the minister's office we were thinking about it. After Easter three weeks had turned into three days. The other thing that killed it was the fact that we had it on fairly reasonable terms. The liquidator was keen to see the sale with Soft Star because one of the conditions we would have had was that a casino licence went with the sale. So ours would have been

a conditional offer. The liquidator was very frustrated as he already had a sale with no conditions—

CHAIRMAN—Is that Mr Herbert?

Mr Thomson—Yes.

CHAIRMAN—Is there other freehold land on the island?

Mr Thomson—Yes. The direct sales scheme of housing to long-term residents occurred as leasehold initially but residential housing has been freeholded over a period of time.

CHAIRMAN—What of the collateral value of freehold land. Is the collateral value here greater with respect to freehold than it is with leasehold?

Mr Thomson—With residential property, if you had a 99-year lease or a freehold title it would not make much difference. You use a house to live in. That is the purpose and that is the only purpose which can be applied.

CHAIRMAN—What about commercial land?

Mr Thomson—For commercial land, in my view, you would have to be very cautious about freehold.

CHAIRMAN—But would the collateral value of commercial land be greater as a result of freehold than it would with a 99-year lease?

Mr Thomson—Sorry. Yes, of course.

CHAIRMAN—Other than the 40 hectares or thereabouts that makes up the resort land, are there other areas of that nature that could be utilised for further tourist development?

Mr Thomson—There may well be, but to my knowledge there has not been any decision about that, and there would have to be a decision of the Commonwealth for that to occur.

CHAIRMAN—What about the community bid for the resort? How far did that get? Was it just an idea or did it get to documentation? Or was that bound up with respect to the Union of Christmas Island Workers?

Mr Thomson—It was one and the same. The UCIW was looked to to drive it, which we did. We met with operators from Taiwan who were here on some tour, a fairly frequent junket operator during the operations of the resort and the casino. The union basically led that, yes. We did the putting together because the union had the experience of putting together the bid for the ownership of the mine. We called on the same friends to help us with this one.

CHAIRMAN—Can you describe to the committee the present status of the legal challenges in the Federal Court with respect to the Union of Christmas Island Workers?

Mr Thomson—The Union of Christmas Island Workers does not have a direct interest in the High Court matter—that is, we are not a creditor. The liquidator's appointment is subject to claims by Mr Sumampow that his appointment was not valid, and it has to do with the change in the legislation in WA which validated the Federal Court appointment of liquidators in 1999. I think at the end of the day, the High Court will probably find the liquidator's appointment was valid. But in not only the High Court but every court that the former owner could get into, we have seen staying actions; we have seen all sorts of actions that have not been followed through. There have been cases in the Supreme Court where the complainant, Mr Sumampow, has alleged the liquidator has not been properly appointed, and he does not even turn up to the court. If you get into the Supreme Court or the High Court, it takes years. So what they are doing is launching a series of cases which delay the payout of the workers, which delay the resolution of the liquidation process. In my view, it is a delaying tactic. I think the former owner knows that he is not going to win, but as I said it takes a long time to get before the Supreme Court and even longer to get before the High Court. What we see is misery heaped upon misery on this island.

CHAIRMAN—So you are saying that the previous owner of the resort, Sumampow, is using delaying tactics with respect to the High Court?

Mr Thomson—Absolutely. That is my view.

CHAIRMAN—What of the APSC and the potential it has to, if you like, soak up unemployment on the island? Doesn't it have the same potential as what the resort does to lower the unemployment rate and bring some measure of economic security to the island?

Mr Thomson—Absolutely. Initially, it was \$300 million; now it is more like \$800 million. If you spend any hundreds of millions of dollars in a place like this, the economic benefits would be enormous, but there is no evidence, none, that that is going to happen. In fact, there is contrary evidence—the Commonwealth is having some difficulty coming up with the hundreds of millions of dollars that the proponent wants it to spend, and you have the Brazilian government offering hundreds of millions of dollars of incentives to go to Brazil. There is no confidence on our part that this will happen, but we see that everything is predicated on it happening. So we are not going to do anything about airlines, we are not going to do anything about anything, because we are waiting for the space station which, in my view, is not likely to happen. That is my candid opinion. If it were to happen, sure, economic benefits would be enormous—but it is the case of if it happens or when it happens. The rocket they propose to use has not been built and has not been tested and will not be, according to the Australian space safety agency, for probably another two years. Sorry, that was according to Mr Maberly at a meeting with the space safety people.

CHAIRMAN—Does the APSC project have the full support of the Union of Christmas Island Workers?

Mr Thomson—The position of the Union of Christmas Island Workers is a neutral one. You have heard our view that the APSC project is getting in the way of a lot of other good things happening. We cannot support an organisation which does not support us or our community.

CHAIRMAN—So the answer is no, it does not have your full support?

Mr Thomson—No, it does not have our full support and it does not have our condemnation. We have a neutral position. You have to have a bargaining position, Senator. We have invited them to meet with us on every occasion they have come to the island. I have not met with Mr Kwon since 1998.

CHAIRMAN—Can you offer any reason that Mr Kwon would not want to meet with you as a representative of the Christmas Island workers?

Mr Thomson—Maybe he does not like unions.

CHAIRMAN—My last question then—

Mr Thomson—He would not be alone.

Senator CROSSIN—Maybe he does not understand.

CHAIRMAN—I take your last point, Mr Thomson.

Mr SNOWDON—But you are not one of them, though, are you?

CHAIRMAN—No, but I used to belong to several unions, Mr Thomson, and I declare my former interests.

Senator CROSSIN—Until they kicked you out?

CHAIRMAN—No. For the record, Mr Thomson, I left the Waterside Workers Federation, the Plasterers Society—

Mr SNOWDON—What the hell were you plastering?

CHAIRMAN—and two other unions, including the one in the entertainment industry, anyway. It is getting to be a bit like that here this morning, so I may have to renew my membership, but I intend to move on before I am likely to do that. My last question is: what future do you see for Christmas Island if APSC and the resort do not go ahead? Is there something else in the wings? You mentioned briefly that some other things were being inhibited by the failure to resolve the resort.

Mr Thomson—Certainly, in my view—and I am not privy to any information about this, I have to say, but we have supported it as a union, with shareholders making up our membership in the mine—the mine applied for exploration licences last year. As far as I know, all of the issues have been complied with. A decision was expected in February; it has not happened. I do not have any knowledge about the internal workings between the mine and the Commonwealth, the approving authority, but, as an outside and very interested observer and supporter of the application for the exploration licences, one wonders how the land release issues that face PRL, APSC and the Commonwealth are impacting on the processes of getting exploration licence approvals. One wonders because, so often, we get long delays. I wrote a letter to the minister

about the Christmas Island laundry in July last year and I got a reply at the end of November, so I know they are very busy.

This is what I said before: everything is about the space station, and everything else can wait. We want to see the exploration licences issued to the mine. That exists—it is not a fantasy—and that is our economic future. There is more resource there; we want to see it mined sensitively, with environmental concerns taken into account, but I see that being held up—no action there. Again, we are not privy to accurate information, but we hear that the life of the mine is not indefinite—it is quite a short period in the life of an economy—and nothing is happening there. The resort exists, it is there, and it can be up and running with the right decisions being made. The two engines can keep us going. We had 320 people employed at the resort before. We had a vibrant economy. We want to get that back.

The future is: get the resort open, get the minister to do the right thing by the community, make them open it up, and make them do what they are supposed to do or take the leases off them. On the other hand, let us see some exploration licences issued to the mine so that we can get back a bit of confidence. There is a discernible atmosphere of depression, particularly amongst the small business sector on the island. People are staying at home; they are not going to the cafes and restaurants as much as they used to. The little things that you do not need to have, people are not taking; they are not spending the money on them. There is an atmosphere of, ‘Where the hell are we going?’ Everything is on hold.

The long answer to your question, Senator, is that the Commonwealth is directing all of its energy into the big bang theory—a big bang that is not likely to happen—and everything else is on hold, because it does not listen to the community. We do not have decision making structures on this island which require the community to be formally consulted or for the community to make formal agreement with the great decision maker in Canberra—the minister for territories. He has all of the powers. He is totally remote, and we do not blame him. He is a very decent human being, as are most of the bureaucrats, but the structure and the decision making processes are the problem. If you put the decision making power in the hands of the community, you would get much better results. All over Australia, except Christmas Island, you have elected representatives making decisions for their communities. For Christmas Island you have the minister making decisions, and sometimes he does not reply to your letters for six months.

CHAIRMAN—In fairness, I understand that that letter you referred to did require a legal opinion.

Mr Thomson—Yes. This is the laundry workers’ issue?

CHAIRMAN—Yes. I read the letter and I read the legal opinion subsequent to the letter.

Senator CROSSIN—I want to take you again to the infamous letter of 25 May 2000 from the minister. You actually tendered that as evidence under SOCI 2. You drew our attention earlier this morning to the sentence where the minister stated:

The purpose clause in the resort lease states that the premises are to be used only for a “hotel/casino and ancillary thereto...”.

However, the third paragraph of the minister's letter to the Union of Christmas Island Workers on 29 November, which is on the fourth page of the Union of Christmas Island Workers submission No. 1 that you tendered this morning, actually stated:

The terms of the lease permit Soft Star to use the site for a hotel/casino and ancillary purposes. This means that the lessee is allowed, but not required, to operate a hotel/casino.

Can you provide us with any thoughts on or any concrete examples of why the minister may have changed his mind between 25 May and 29 November?

Mr Thomson—I cannot read his mind, but in April 1998 Minister Somlyay gave us to understand informally, without documentation, that he had the powers to remove the operator of the resort. If the operator did not operate the casino-resort under the terms of the lease, he would forfeit the leases and everything that stood on it—all of the buildings. That was the position that we thought the Commonwealth had, but we are not privy to those leases—then or now. This letter says something quite different.

Senator CROSSIN—That is right.

Mr Thomson—It says, 'I have given away all powers.' That is a pretty damn good argument for him to be required to consult with the community before these momentous decisions about our future are made.

Senator CROSSIN—So the Union of Christmas Island Workers had no reasons provided to it from the minister or the department of territories as to why there is a change of intent between the November and May letters?

Mr Thomson—No.

Senator CROSSIN—Mr Chairman, I request that the committee formally ask the minister and the department to provide us with reasons as to why there is a change in the intent and the wording.

CHAIRMAN—Yes.

Mr SNOWDON—I just have a couple of questions. The laundry issue has not been expounded. Do you want to just—

Mr Thomson—Yes. I would like to take committee to exhibit UCIW 2, marked 'Laundry'.

Mr SNOWDON—Go ahead, Mr Thomson. I am sure the chairman will not mind if I take a minute.

Mr Thomson—The Christmas Island Laundry was set up to service the Christmas Island resort.

CHAIRMAN—But it was separate from the Christmas Island resort, Mr Thomson, was it?

Mr Thomson—It was owned by Mr Sumampow, 75 per cent, and Mr Lai Ah Hong, a local businessman, 25 per cent.

CHAIRMAN—But was it a separate limited liability, proprietary limited company, or was it an integral part of the resort?

Mr Thomson—No, it was a separate—

CHAIRMAN—limited liability company.

Mr Thomson—Yes.

CHAIRMAN—Thank you. Sorry, I did not mean to interrupt you.

Mr Thomson—But, as I understand it, it was open to the liquidator to dispose of certain assets of that company. It was open to him but he did not pursue it. I am not sure about the technicalities, but it is our view and belief that he had the ability to take that facility into his properties for liquidation. He took the Poon Saan flats, the CI lodge, the Seaview Lodge—all sorts of other facilities. But, as you say—

CHAIRMAN—It is limited by its own liability.

Mr Thomson—Yes, quite right.

CHAIRMAN—I am sorry, Mr Snowdon—

Mr SNOWDON—No, you go right ahead. You are doing very well.

CHAIRMAN—Even though I am doing well, Mr Snowdon, I appreciate that. Please proceed.

Mr SNOWDON—I am happy for Mr Thomson to proceed with his views about the subject.

Mr Thomson—What is interesting about this laundry is that the Commonwealth sold a property which contained assets that were available for liquidation to pay the workers' entitlements, because the laundry workers were dismissed at the same time and they have outstanding entitlements to the tune of almost \$20,000—five employees. The Commonwealth owned the buildings. It was a very complex arrangement. The shire of Christmas Island collected rent, the Commonwealth thought they owned it and it contained a whole lot of equipment that belonged to the owners of the resort. The Commonwealth appeared to have tried to track down the owners of the equipment to see what they wanted to do with it. The union solicitor wrote to the Commonwealth and said, 'You can't liquidate those fittings. We think they belong to the owner, and the workers are entitled to have those fittings liquidated and they would probably realise enough money to pay out their entitlements.' The Commonwealth was asked not to proceed with the sale but, if they were going to, to please make a disbursement to the former workers of their full entitlements from the proceeds of sale.

The Administrator, Mr Taylor, advised us to make a formal submission to the Commonwealth, which we did. But what is very interesting about it all is that they made a decision to sell the laundry after they must have known, as we now know, that Soft Star had signed a contract of sale to buy the resort. I thought last night about what an interesting connection it is: why was the Commonwealth now selling off an absolutely essential bit of infrastructure, which the laundry was, for the effective operation of a resort? Why wasn't that part of the sale to Soft Star? It is just a conspiracy theory perhaps, but it would seem that the resort—

CHAIRMAN—Wouldn't it be still used by the resort, even if it were sold off? What was it going to do—

Mr Thomson—It would have to. That is a comment I make, that infrastructure essential to the operation of the resort should have been included by the liquidator initially in the assets for liquidation. That should have happened. In our belief, it was open to him to do that in some form or other. He did not do it, and in our view that is a mistake. Our members have lost out. The Commonwealth had control of the property, it sold it and it has done the rotten and lousy thing and withheld all of the proceeds of sale. It is open to the Commonwealth, in our view, to pay out the entitlements of those workers, some \$20,000, which is about 20 per cent of the sale price, as we understand it. So it would do the Commonwealth no damage at all to pay out the entitlements of those workers. As I said earlier, on the mainland, if you are the Prime Minister's brother, you can get the Commonwealth to underwrite the pay-out of your workers' entitlements when you get into trouble. Why can't the Commonwealth do that for the laundry workers?

CHAIRMAN—Are the laundry workers now attaching their claim to the liquidated funds from the resort?

Mr Thomson—They cannot. It is not part of the liquidator's operation. The Commonwealth has sold the asset.

CHAIRMAN—Doesn't that conflict with your logic that the laundry should have formed part of the liquidated proceeds of the resort?

Mr Thomson—No, it does not conflict with my logic. The logic is that, if it was part of the liquidation, the proceeds would have flowed to the workers. But by not including the laundry assets in the liquidation of resort assets the liquidator has denied those workers access to those entitlements. As you say, it is a proprietary limited company and the assets were sold by the Commonwealth. The union can go through a million dollar court case to get back \$20,000. If the Commonwealth is not prepared to say, 'We will pay out the workers' entitlements from the proceeds of sale,' they are certainly not going to lie down if we take them to court and try to recover proceeds that could genuinely be calculated as the value of the fittings. The workers can only get paid out their entitlements if we liquidate the fittings contained within the laundry buildings. The Commonwealth has sold the lot. We are going to have to take the Commonwealth to court, and how much is that going to cost? You might behave like Mr Sumampow: just keep within the courts and send us broke for \$20,000. It is almost impossible for those workers to recover their entitlements in a proper legal process. Although it may be possible, it would bankrupt everybody on the island to try and take on the Commonwealth. If

you are going to say, 'Yes, we will pay,' then pay now. Don't put us through the misery of a very expensive court process. It is lousy.

Mr SNOWDON—I have got two final questions. The first relates to the community bid. For the purposes of the record, we are aware that the island community purchased the mine, so it was possible to get community interest in that purchase. When you were contemplating this purchase and getting your documentation together, what sort of price were you going to bid at, and had you secured the funds for that bid?

Mr Thomson—I am sorry to say that, no, we had not secured funds. The advice I had from our principal organiser of capital was that we would make a bid for \$6 million with a profit sharing arrangement of up to \$10 million, final contract of sale price.

Mr SNOWDON—In your estimation, following the advice of this illustrious merchant banker, whoever it was, what time period do you think it would have taken you to secure the funds required, on their advice?

Mr Thomson—That was not further investigated. Within three days of us drafting our expression of interest to the liquidator, which was never sent, we were advised that the leases had been signed over and there was no point in pursuing the matter further. It was killed off at that point where the minister signed over the leases.

Mr SNOWDON—But did you have discussions with the liquidator?

Mr Thomson—Yes, we said that we were interested in forwarding a proposal to him and that we were working on it. That was a telephone conversation I had with Jeff Herbert.

Mr SNOWDON—What was his response?

Mr Thomson—It was a telephone conversation, so anything I say about that is my word, and my word is this: he was not particularly interested in seeing us make a bid which would be conditional upon the granting of a casino licence. He had a sale with Soft Star which he said had no conditions. Here is the property; here is the key; give us the money—that is what he wanted. He wanted to get out of that liquidation as quickly as he could. He made that very clear to me. He would have had great difficulty in the negotiations with Soft Star, he said. It was finalised and he was not very keen to see any bid from us.

Mr SNOWDON—I am not sure it has been finalised. With your indulgence for one moment, I want to take you back to your previous hat. I want to discuss evidence given to us on Wednesday, 7 February from Mr Kwon. I want your comment on his responses to questions I asked about freehold. The transcript reads:

Mr SNOWDON—What discussions have you had with the local community about your desire to freehold?

Mr Kwon—They think it is a very good idea. They support it.

Mr SNOWDON—The council supports it?

Mr Kwon—I think it depends on who is the council but I think the general members of council support it.

Mr SNOWDON—We will be talking to the council, so we will ask them that question.

That is the reason I am asking you the question. So perhaps you could give us a response to Mr Kwon's comments.

Mr Thomson—I do not understand. First off, he says that they all support him. Who are 'they'? I do not know. That is not made clear. In relation to the shire, he implies that there would be some people on the shire council who would support freehold and some people who would not. Is that what he is saying?

Mr SNOWDON—I do not know what he is saying. His words are:

I think it depends on who is the council but I think the general members of council support it.

So he implies generally that the council supports it.

Mr Thomson—It could be staff or council members—I do not know what he is talking about. But, as far as I know, there has been no discussion which would indicate that there is any difference of opinion amongst the shire councillors about the issues of freehold title. In my view, I would think that that is a more broadly held view than that of just the shire councillors. I would think most people on Christmas Island would be opposed to freehold title being granted to Mr Kwon. I think that there is a great deal of disquiet about where he is going. I think the councillors would be of one view. Certainly the council that I have served on for the last two years is not interested in freeholding it to him.

CHAIRMAN—Thank you very much for your answers this morning, Mr Thomson, and for your attendance here today. If there are any matters on which we might need additional information, the secretary will write to you.

Mr Thomson—Thank you very much for the opportunity to appear before the committee.

Proceedings suspended from 10.51 a.m. to 11.00 a.m.

MASTERS, Mrs Diane Judith, President, Christmas Island Divers Association

CHAIRMAN—Welcome. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Are there any corrections or amendments you would like to make to your submission?

Mrs Masters—I do not believe so.

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

Mrs Masters—Yes, thank you.

CHAIRMAN—Please proceed.

Mrs Masters—Basically, the submission we placed before the committee is fairly straightforward. We placed this submission once the terms of reference had been extended beyond just the tender process. I was actually away at the time, but I understand that the terms of reference have been expanded to include any concerns that people may have over the sale of the resort. The Christmas Island Divers Association want to make it quite clear that we are certainly not opposed to the sale of the resort. In fact, we are pleased that it has been sold and we look forward to its opening in the near future. Our main concern is access to Waterfall Bay—that has been the major issue.

CHAIRMAN—That is within the 14-hectare lease of the resort.

Mrs Masters—That is right. I understand it is actually within the lease, and it is a coastal beach. On Christmas Island we have only one main port: Flying Fish Cove. At the moment it looks rather idyllic, but in the swell season it is totally inaccessible. I have a photo here which I can leave as evidence. It certainly gives you an idea of just what Flying Fish Cove looks like. That means that the only other access to the water on Christmas Island is either foot access at Ethel Beach or access at Waterfall Bay. Waterfall Bay in the past has been accessible. I have been on the island now for six years, and in the early days when the resort was in full swing we were allowed to have vehicular access down to Waterfall Bay, where we were able to dive. It is possible to also launch a small boat from Waterfall Bay.

CHAIRMAN—Waterfall Bay is the one—not Flying Fish Cove—that is encompassed by the resort lease.

Mrs Masters—That is right, yes. On Christmas Island there are very few all year round sports—boating, fishing and diving are probably the main sports that are enjoyed year round. For up to three months of the year, access to the ocean can be denied unless we can access it

through Waterfall Bay and via pedestrian access through Ethel Beach. Since the resort has closed down, there has been only pedestrian access through to Waterfall Bay. That is really quite impractical for a diver. It involves a walk of some 500 metres—although it is probably a bit longer than that. It does not sound like a lot, but when you are lugging heavy dive gear and tanks it is a long way. It also becomes a health issue after a dive. After a dive you should not be doing very much physical exertion, because of the nitrogen that is in your system, et cetera. To get out of Waterfall Bay you have to walk up a hill, once again carrying heavy dive gear. So it really becomes a health issue as far as pedestrian access is concerned.

The other point to make is that, because Waterfall Bay now no longer appears to be available for recreational purposes, this in effect makes Waterfall Bay an exclusive beach. I do believe that it goes against all modern thinking in Australia today to make some place exclusive like that. In particular, it is galling in Christmas Island when we have so little access to the coast. That is really what we are concerned about here. There are so few recreational outlets during the swell season. Everyone suffers what we might call 'cabin fever'. To have that recreational pursuit denied is something that we are really concerned about. That is about it from the divers association.

CHAIRMAN—Thank you. Before I defer to my colleagues, I will just ask you a few brief questions. What was the status of Waterfall Bay before the resort was constructed? Was there unrestricted access to it and, if that is the case, how close to the beach or the water's edge were you able to bring vehicles?

Mrs Masters—I was not here at that time so I do not know. All I know is that, once the resort was constructed, we could drive all the way down to Waterfall Bay and access—

CHAIRMAN—When you drove down to Waterfall Bay, how close could you get to the—

Mrs Masters—Right to the shore.

CHAIRMAN—You could actually put the wheels of the vehicle into the water if you wished?

Mrs Masters—If we wanted to. I do not know what it was like before the resort was constructed. I understand it was the main port there. In fact, I have seen photos of boats being unloaded there, so it must have been a deepwater port. I understand, with the construction of the resort, that they put a groyne across the bay itself and after the first swell season that groyne was destroyed. A lot of the rubble is still actually in the bay there, which makes it a very shallow launching for small boats now and a little more difficult to access for shore dives.

CHAIRMAN—Is that groyne ballast too heavy to be removed by hand?

Mrs Masters—Yes, it would be too heavy to remove by hand. They are big rocks and boulders.

CHAIRMAN—Are they 200-litre drum size?

Mrs Masters—I am sorry, I am not an expert in those sorts of things.

CHAIRMAN—All right, we will pass on that.

Mrs Masters—All I know is that the groyne was built out of boulders, rocks, rubble and cement. I presume that it would need to be mechanically removed.

CHAIRMAN—Yes. Has your association thought of manhandling some of those that they can remove?

Mrs Masters—We have not had access.

CHAIRMAN—I see your point. Have you written to the new owners of the resort requesting access to Waterfall Bay?

Mrs Masters—I am unaware that we have. As president—and I have been president for only the last six months—I have not done so at this stage. My understanding is that any permission that has been granted is usually at the request of a phone call, and it is usually pedestrian access.

CHAIRMAN—Do you think it would be more appropriate for your association to approach the new owners to see whether vehicular access would be granted before the committee tried to facilitate access for you?

Mrs Masters—Yes, we can certainly do that.

CHAIRMAN—If you had a negative answer with respect to access, do you think that the minister should request access and intervene on your behalf? Is that why you are here this morning?

Mrs Masters—My understanding is that access had been denied to vehicular traffic. Personally, I cannot state that we have had a written reply denying access.

CHAIRMAN—Are you aware that the minister made a precondition, as part of the transfer from the control of the liquidator to the new owners, that the bay be cleaned up?

Mrs Masters—I am not aware of that, no.

CHAIRMAN—Are you aware of whether the bay has, in fact, been cleaned up?

Mrs Masters—I have not been in, though.

CHAIRMAN—Would you be kind enough to take that question on notice and come back to the committee?

Mrs Masters—Yes, we can do that.

CHAIRMAN—What about public consultation between the community and the Commonwealth regarding public access to one of the two accessible bays by vehicle? Was that ever undertaken? Are you aware of that?

Mrs Masters—At the moment there is some discussion on the east coast beaches proposals. Where that is at, I am not sure at this stage. That could be some time down the track. At the moment there appears to be no access to the east coast by vehicle.

CHAIRMAN—I understand that it is the committee's understanding that the bay was considered to be part of the assets for the purpose of the sale of the casino. Were you aware of that?

Mrs Masters—It is just in recent days that I was advised that Waterfall Bay did come under the lease that was proposed for the resort and that it was considered part of the assets. I find that unusual in Australia today.

CHAIRMAN—What about the access to Waterfall Bay, assuming you could get access? Is it, or was it, accessible for most of the year, all of the year or part of the year?

Mrs Masters—It had been up until the resort closed. The road to Waterfall Bay had not been maintained for a long time. We had had some major storms and no repair work was done for some time. I believe that in recent times the shire has undertaken to at least upgrade the road so that there is four-wheel drive access. It may even be better than that, I am not sure, but I understand the shire did undertake some work because of the possibility of a need to launch a boat in an emergency.

CHAIRMAN—Have you approached the shire with respect to coopting their assistance for access to the bay?

Mrs Masters—No.

CHAIRMAN—Do you intend to approach the shire?

Mrs Masters—We were awaiting the outcome. I have not been involved in the process, but I do believe that concerns had been raised about Waterfall Bay being part of the lease.

CHAIRMAN—Were you also aware that part of the conditions, with respect to the Commonwealth's agreement over the transfer of the casino and resort to the new owners, was that they would require the construction of a road to allow public access to Waterfall Bay?

Mrs Masters—No, I was not aware.

CHAIRMAN—I understand that that is the case. The secretary of the committee will give you further detail about that. It may—I underline 'may'—resolve some of the problems and apprehensions that you have. I have no more questions.

Senator CROSSIN—What was access to Waterfall Bay like while the casino was operating, prior to the liquidation process?

Mrs Masters—It was fine. We used to drive behind the casino. They have since placed a building at the back, but there was a road that went behind the resort and followed down to Waterfall Bay. It was fine access. We were able to get down with a normal vehicle.

Senator CROSSIN—Who put the construction of the groyne in place?

Mrs Masters—Apparently the groyne was put in the year before I arrived on the island. I understand it was done during the resort construction.

Senator CROSSIN—During the resort's construction?

Mrs Masters—Yes.

Senator CROSSIN—Let us go back to early 1998. Did you have access to Waterfall Bay then?

Mrs Masters—Yes. I am not sure when the resort closed; it has been a while.

Senator CROSSIN—It was three years ago, almost this week. So the groyne was put in place after the resort closed?

Mrs Masters—No. The groyne was put in a long time ago. My understanding is that, when the resort was first being constructed, they placed a groyne in there to create the bay itself. The groyne was destroyed in the first year that it was placed there, just through the swell of season.

Senator CROSSIN—So when did restriction start to apply?

Mrs Masters—Basically we have been restricted since the resort closed. There is a chain across the road and we are unable to access Waterfall Bay unless we get permission from Michael Asims. I understand that the answer is sometimes yes and sometimes no, but there has certainly been no vehicular access.

Mr SNOWDON—I think we need to clarify exactly what the situation is in relation to Waterfall Bay. I am reading from a document. I cannot date it, unfortunately, but it is on page 375 from the material we received from the liquidator yesterday. It refers to the Waterfall Bay area, and it makes the situation very clear. This is a document headed 'Casino Site Lease: Executive Summary'. The next page is headed 'Casino Site Lease'. It goes through and discusses areas 1, 2, 3 and 4, and I will just go through them very briefly. It states:

Area 1

To be excised from the Title

- The whole of the rainforest north of Linkwater Road
- Freshwater Spring and the flow line from Jones Spring located north of the boundary
- Sewerage treatment plant
- Foreshore reserve
- Linkwater Road

Area 2, which is similar, is about easements, including a Telstra sub-lease area. It goes on to say:

Area 3

To be added to the title

- Pinnacle area contiguous with present site

Area 4

Waterfall Bay to be retained

When we go to the comment about Waterfall Bay, the first paragraph reads:

The lagoon is an important asset for the Resort and should be retained within the Lease on present terms. Public access is limited to a distance of six metres from high water mark ... However, because public access is not permitted *through* the site the public are in effect, restricted from the Bay unless they land from the sea.

It goes on to say that this has been accepted since 1990. It then gives a summary and says:

Reasons to retain Waterfall Bay without public access

1. Unfettered public access makes it impossible for security staff to monitor the beach effectively.
2. The lagoon is susceptible to strong swells and can be dangerous at times. Unless a full-time guard is on duty, public access will expose the lessee to a public liability risk which would probably be uninsurable and would certainly be financially untenable.

Reasons to retain Waterfall Bay within the Lease

1. It is a potential asset to the property which may be developed in the future
2. For security reasons it needs to be controlled by the casino

I am unsure of the status of that document, but I presume that it is an outline of what the Commonwealth believes to be the position that relates to the casino licence. The lease is attached to the land—in which case, Mr Chairman, it seems likely that either this document is wrong or the advice you have been given is wrong.

I would also make the note that, in documents which we have received from the liquidator in discussions with ComsWinfair, it is very clear that the issue of access to the beach is a topic which is discussed on a continuing basis. You only have to refer to correspondence, for the purposes of this committee, dated 27 January to Mr Jeff Herbert from Senator Ian Macdonald. Page 4 refers to access to the beach, and it makes it clear by stating:

The lease provides that the lessee must permit public access to the shoreline up to 5 metres from the high water mark. ... The Shire requires access to the water supply infrastructure at Waterfall Spring. The community has expressed an interest that there is access to Waterfall Bay for emergency situations.

I cannot see in the other correspondence we have received—and this relates to the liquidator's dealings with ComsWinfair—

Senator CROSSIN—Is this from the liquidator's submission yesterday?

Mr SNOWDON—I have not seen any documentation, apart from what we have just seen here from the liquidator. There is no correspondence that I have in front of me, apart from the documents which the liquidator has made available to us, which illustrates that the minister has made the same requirement of Soft Star. So, whilst it is implied in the dealings with ComsWinfair as perhaps a precondition upon which a lease would be granted, the same condition appears to have not been applied to Soft Star. That is a matter which we need to have clarified.

CHAIRMAN—This may not clarify it completely, but it may be a step in the right direction. Mr Jeff Herbert, a senior officer with PPB Ashton Read chartered accountants and liquidator, states in his submission at (viii)(c) on page S064 under the heading ‘Public Access to Waterfall Bay’:

Mr Moore—

a senior officer with Minister Macdonald’s office—

had advised or implied that the Commonwealth would require the construction of a road to allow public access to Waterfall Bay.

The Commonwealth’s consideration of potential tuna boat operations in Waterfall Bay were also mentioned by Mr Moore and were of concern to ComsWinfair.

Mr Snowdon, I go back to the first paragraph where it says Mr Moore had advised or implied that the Commonwealth would require the construction of a road to allow public access to Waterfall Bay.

Mr SNOWDON—I accept that, Mr Chairman. My point is that that relates to ComsWinfair; there is nothing in the material before us that says the same applies to Soft Star.

CHAIRMAN—I agree that there is some ambiguity there.

Mr SNOWDON—The other point which I think is relevant to our contemplation of this issue is that we were advised yesterday that the leases had conditions precedent upon them, from the Commonwealth’s point of view initially, and that, on the advice of the liquidator, those conditions precedent were set aside so the lease could be issued and were going to be addressed subsequently. As far as I am aware, those conditions precedent did not include the issue of the road. So we need to ask the minister to clarify for us the nature of the current lease, whether the lease has been amended to ensure that the conditions precedent are in it and, if so, whether those conditions precedent include the road access to Waterfall Bay.

CHAIRMAN—We will write to the minister and ask the minister to clarify what is obviously ambiguous, encouraging that road access be part of the conditions precedent, as my colleague said, to Waterfall Bay. We hope the minister concurs with the previous advice from his adviser.

Mrs Masters—Okay.

Senator GREIG—I went for a walk yesterday from the resort down to Lily Beach, I think. There is clear road access down to it and I could see the turn-off to Ethel Beach. It appeared that

some recent earthworks had been done there; there was a large piece of machinery parked there. Is Lily Beach itself out of the question as an access point to water?

Mrs Masters—Absolutely.

Senator GREIG—Why?

Mrs Masters—For safety reasons. If you look at Lily Beach, you will see that there is only one very small pool which you can float around in. It is about a foot and a half deep, or four foot or thereabouts if it is high tide. Straight behind that is a major reef. There is no access either for shore dives or boats at Lily Beach. The road to Ethel Beach I believe is being upgraded at the moment. It is proposed to have boat access at some time in the future. Ethel Beach is a shore-dive access point. There are only three points on the island. For nine months of the year, Flying Fish Cove is accessible. For up to three months of the year, there are only two other access points—Waterfall Bay and Ethel Beach. Waterfall Bay at the moment is the only one that has vehicular access to the beach for boats.

Senator GREIG—Roughly what time of the year is the swell season?

Mrs Masters—It can range anywhere from October through to the end of March. Sometimes it will be December, January and February, or it might be off and on over five months.

Senator GREIG—So it is a long period.

Mrs Masters—It certainly is. We are a small island, the major recreation is the ocean and, at the moment, we have got one boat ramp. Just about anywhere on the mainland, every little town and village would have a boat ramp into the river; and here we are, that is our only port, and we have one boat ramp.

Senator GREIG—Does the swell you experience in swell season affect the entire island?

Mrs Masters—It can occasionally. But most of the time when the weather is affecting this side of the island, Waterfall Bay and Ethel are relatively calm or very calm.

Senator GREIG—In terms of marketing the tourism potential internationally, presumably you have very limited resources but plenty of enthusiasm. What kind of opportunities have you had to try and do that—for example, using Internet advertising or web site exposure?

Mrs Masters—The divers association is a non-profit organisation designed to promote good, safe diving practices and encourage members of the community to be involved. Unless visitors to the island are staying here for a longer period of time and become members of the association, they do not have access to our equipment and things. So it is a community organisation. In terms of international advertising, the tourist association has certainly been involved. We have two dive operators on the island who have been doing a lot of work overseas, certainly in the European market. One has a major marketing person based in Austria, I believe, and at the moment he is fully operational just with international divers.

Senator GREIG—Presumably you would echo the concerns of other islanders about the difficulties of getting here and leaving by plane?

Mrs Masters—I would have thought that that was slightly outside the brief but, yes, there are certain difficulties involved in accessing the island and that makes it harder to promote the island as a tourist destination. However, we have the advantage of being in the top five or so dive destinations in the world, by all accounts—that is certainly what I hear from the international divers who have been here. Even from my limited knowledge of diving elsewhere, I would say we have great facilities. And the best part about diving on Christmas Island is that you are not inundated with hundreds of divers. If you dive in Thailand, for instance, you have five dive boats, all with 50 divers, going on one site; and the sites are nowhere near as good as any of the sites we have on Christmas Island. So I think suffering a slight inconvenience at times with airlines—coming through Jakarta, maybe missing a connection sometimes—can be part of the adventure, and that is what we should be promoting: the fact that we are isolated, that it is sensational, that maybe it is World Heritage class, that it is an adventure to come here and that part of that adventure is landing.

Senator CROSSIN—Or getting here in the first place.

Mrs Masters—That is what I mean—getting here in the first place.

Senator GREIG—If you had the resources, are there some other places on the island where the infrastructure could be established for a permanent, safe boat landing site?

Mrs Masters—I am certainly not an expert in any way, shape or form; I am just going by what has generally been used. I would say that those areas are used because they have been found to be the safest, most accessible ports since the island began. Waterfall Bay was originally the port where ship loading took place, so I presume that somewhere along the line someone with the expertise and knowledge would have said that that was the best place.

CHAIRMAN—On behalf of the committee, thank you for your attendance here today. If there are any matters on which we might need additional information, the secretary will write to you.

Proceedings suspended from 11.30 a.m. to 1.01 p.m.

McLANE, Mr David Charles (Private capacity)

CHAIRMAN—Welcome, Mr McLane. Before we continue, we need to make a formal resolution regarding a press release.

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

That the press release under the letterhead of the Minister for Regional Services, Territories and Local Government, Senator the Hon. Ian Macdonald, titled, 'Christmas Island Land Issues', be accepted as evidence.

Mr McLane, although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Are there any corrections or amendments you would like to make to your submission?

Mr McLane—There are no amendments, Mr Chairman.

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

Mr McLane—I was fortunate enough to hear the submissions presented on behalf of the Shire of Christmas Island by Mr Thomson this morning. I would simply say that those submissions were correct and that I would support them. Hopefully, I will be able to fill in a couple of the gaps in those submissions that related to the time that I held the position of President of the Shire of Christmas Island. I will very briefly go through the additional submissions from the shire—SOCI 1 and SOCI 2—with the exception of one area that I want to deal with in detail: the matter of whether or not there was a conflict of interest at the time relating to Mr Nicholls.

CHAIRMAN—Whether in your view.

Mr McLane—In my view; that is correct. I can confirm, as Mr Thomson said, that these are letters from me in my capacity as shire president, as I then was. They are correspondence that I have seen before.

CHAIRMAN—They are copies of correspondence.

Mr McLane—Copies of correspondence that I have seen before; that is correct. I had a concern, along with many other members of the community, that there was a very clear conflict of interest and that Mr Nicholls was acting in the interests of his prospective employer, Mr Kwon, rather than in the interests of the Commonwealth or the people of Christmas Island. I do not make these allegations lightly. It is important to bear in mind with regard to my

submission that Mr Nicholls occupied the position of the top Commonwealth representative of the bureaucracy on Christmas Island. At other times, he acted in the capacity of the Administrator on Christmas Island.

I would submit that, in my view, that conflict existed from pretty well the first time that Mr Nicholls happened to meet Mr Kwon. In my submission, it certainly existed from the time that Mr Kwon first discussed the prospects of Mr Nicholls coming to work with his company, and Mr Nicholls left it open at that and did not close it off. From that time, whenever that was—and I believe it was early in the relationship—that conflict existed, and it existed to the extent that I believe it probably tainted all judgments that Mr Nicholls was called on to make in relation to APSC or the casino.

I wrote this correspondence initially to the minister on 21 September and to the Administrator on 25 September. The correspondence speaks for itself. I first raised the concern verbally at a meeting—and it is detailed in the letter of the 25th to Mr Taylor—and I used the words, ‘I believe Mr Nicholls is in the pocket of Mr Kwon.’

CHAIRMAN—At what stage do you think Mr Nicholls may have been, as you said, in the pocket of Mr Kwon?

Mr McLane—I believe the conflict existed from the time of the proposition that Mr Nicholls might one day be employed by Mr Kwon and when Mr Nicholls did not close that off. It was widely known around the island that Mr Nicholls was one of the people who had been offered a job by Mr Kwon. It took some time—a couple of years roughly—before it came out in the open that Mr Nicholls was going to go and work for Mr Kwon. So I first raised it in a formal way, although verbally, on 29 June 2000. This was at a time when the rumours had started to hot up again that Mr Nicholls was just about to go off and work with Kwon. On 14 August, Mr Nicholls formally indicated that he was resigning from the Commonwealth to work for APSC and that he would finish work on 23 September.

CHAIRMAN—Is that the year 2000?

Mr McLane—Correct, the year 2000. As I say here, this caused me to write a letter to the Administrator on 28 August 2000 with a copy attached. In that, I asked a number of questions. I said that I wanted to publish the answers in *The Islander* and I got an answer which was duly published. I will just check whether it is in these documents. It does not appear to be. However, that documentation is in the shire records. Mr Nicholls continued to be involved right up to and including the week before he left the Commonwealth’s employ and went to work with Kwon. I would take it a little further than Mr Thomson was able to this morning with his allegations. I would say that there is some other evidence in existence, apart from this documentation, which should be easily obtainable. A check of the records of the phone bills and phone accounts from the administration would show almost daily contact with Mr Kwon. I believe that an inspection of those records in the week prior to Mr Nicholls finishing employment with the Commonwealth and going to work with Mr Kwon will show a flurry. That is the week when Mr Kwon came out and said, ‘We are not going to continue with Christmas Island; we are off to Brazil.’ Basically, the administration offices for that week were used for APSC business. Meetings were held there and there was a flurry of phone calls, a huge number every day, to Korea.

CHAIRMAN—What do you mean by huge numbers? Can you give the committee some idea of even generic numbers rather than just ‘huge’?

Mr McLane—Let us say half a dozen or so a day.

CHAIRMAN—Half a dozen is not huge, is it?

Mr McLane—I think it is when Mr Nicholls is in the employ of the Commonwealth; he is doing nothing that week except working on APSC business and he is using the Commonwealth’s resources. That would be extremely serious for someone in such a high position. I believe that evidence would be there. At that time, the Administrator, Mr Taylor, was not on the island.

The only thing that I would like to add to what Mr Thomson said—and I do not propose to go right through that again as I would merely be repeating what he said—is that we certainly did question Minister Macdonald, when he came to the island the last time, about the terms of the lease and the freehold issue. From memory, I think I asked him a specific question—if it was not me, it was one of our councillors—and that was, ‘Has Kwon applied to the casino control authority for a licence?’ Dr Turner from the department went into a huddle with the minister and, after four or five minutes, said, ‘We are not in a position to either confirm or deny that.’

We then continued questioning the minister about the intentions of Mr Kwon, and his position was basically that we should ask Kwon—‘I don’t know.’ Mr Kwon had put out a press release—there is only one that I am aware of and that is dated May 2000—and the minister kept referring back to that release, which said that the joint was going to be opened within 12 to 18 months. For Mr Kwon to now be saying, some 12 months after purchasing this establishment, ‘I got sold a pup because there are no flights in and out of the island and I can’t get the thing up and running’ is a mere excuse. With the greatest of respect, I would caution the committee about falling for that one. Mr Kwon has had involvement here for probably the last four years—I cannot remember exactly, but it would be more than three. He knows the situation. He regularly charts aircraft to come in and out because the aircraft situation is so bad.

There are two other things I would like to add before I attempt to answer questions. Regarding the Committee of Inspection, when it became formally known that Mr Kwon had placed a successful bid on the casino and that Mr Herbert, the liquidator, was accepting it, a committee of inspection was called. I am not sure of the exact month, but the word had got out well and truly in advance that Soft Star or Mr Kwon was the purchaser of the resort. I think it is fair to say that the community was quite horrified. They had all those concerns that Mr Thomson spoke about, that it was going to be used as an accommodation and administration complex for people constructing rocket stations—if that ever happened. Those were our concerns. At that Committee of Inspection meeting it was a bit hostile. Mr Woodmore, who I understand is known to the committee, was very keen to see the deal go ahead. Mr Herbert was keen to see it go ahead as well. I think Mr Herbert had had a gutful of it by then and was sick of the whole thing.

I put a question directly to Mr Herbert, and I came very close to making an accusation. I did not name names, but I almost made an accusation that somebody on the Committee of Inspection had tipped Mr Kwon off as to what the price was that he had to beat. I asked Mr

Herbert, 'Who told him how much he had to pay?' He said, 'Look, David, I can't answer that question, but I am in no doubt whatsoever that he knew exactly what price he had to beat,' and he then went on to explain how the negotiations centring around the price had occurred. He said it took a long time for Mr Kwon to move from his opening bid to \$5.5 million, which was the figure that Coms21 had bid. That figure should have been known only to the people on the Committee of Inspection. Mr Herbert said that it came very quickly to that figure and then it bogged down. It moved very slowly to \$5.7 million, which was the final price. I think that that is still a relevant question. How did Kwon know? I am not saying for one minute that Herbert told him; it was not in his interests to do so. But somebody certainly did.

CHAIRMAN—Why did someone certainly do that?

Mr McLane—I was suspicious automatically when it was so close, Senator, but when I heard what Mr Herbert had to say about the negotiations I was left in no doubt whatsoever that the price was known. Mr Herbert indicated quite openly that he believed the price was known but he could not shed any light on who might have let the cat out of the bag.

CHAIRMAN—You do not know, either?

Mr McLane—I do not know; I have my suspicions. I might be going a bit close to the wind to say so here, but I am prepared to.

CHAIRMAN—I probably should warn you that if that should occur the protection of privilege does not entitle you to unguarded comments about a third party. You should exercise a degree of care as to what you say.

Mr McLane—Thank you, Senator. Certainly somebody close to Mr Kwon who happened to have access to that information and who had no benefit to gain out of the casino selling for more let that cat out of the bag. I know that there were a number of discussions between Mr Herbert and Mr Kwon's people. I know that there were a number of discussions between Mr Woodmore and Mr Kwon's people over a period of probably six or eight months prior to the casino being sold. I had a private discussion with Jeff Herbert one day in Perth over lunch where he asked me about APSC and what I thought. My response to him, and I was proven to be wrong—one of many times throughout my life—was, 'Look, Jeff, they're tyre kickers. We haven't seen the colour of their money. Don't think they are going to come along and buy the place.' I was proved wrong: they did come along and buy it. That is the first thing I wish to put before your committee, Senator, in relation to the Committee of Inspection.

I certainly had no experience of liquidations prior to this one—and I do not particularly want to be involved in another one. If I was naive before, I am probably not so naive now. This is where I really got it wrong: I thought that, when things went to tender—and on this occasion it went to tender two, or was it three, times—once the tender date closed, that was the end of it. Never in my wildest imagination did I think it was possible that somebody could come along and put in a bid outside the tender process, like Mr Kwon did. I wrote letters to Mr Herbert about that and said that it was a corruption of the process. I stand by that. I questioned the deep involvement of Mr Woodmore in the whole thing. The shire was a creditor; we were owed \$500,000-odd, which we got. Why was one creditor, Mr Woodmore, so deeply involved in everything that was going on to the extent of being directly involved in meetings with the

minister and the minister's staff and in contact with the department? It was very obvious to me that the cosy arrangement that existed with the department during Mr Woodmore's time on the island continued to exist through this casino process. That has always raised a question with me. I had the advantage of being in a meeting with Mr Somlyay and Ms Verova in Sydney along with Mr Thomson and the then president of the shire, Mr Andrew Smolders, and I came away from that meeting with the clear understandings that I heard Mr Thomson talk about this morning.

My understanding was very clear. The meeting surprised me a little bit, because I had had many dealings with Ms Verova over the last six years, in different capacities. I was very surprised that Alex Somlyay, who in my experience is someone that is not very gung-ho, was quite gung-ho in this meeting in Sydney about what he was going to do with the owners of the resort if they did not pay. They said very clearly, 'They are in breach of their lease; once they are in breach of their lease we can close on it, and we can take the properties back.' My question was, 'Are you sure of that? Are you sure they can't just go in there and run a dozer through the place?' The answer was, 'We can resume the whole lot.' They did not say bluntly that that was what they were going to do, but it was very clear in my mind that that was what they were going to do. They talked about calling for expressions of interest to see if they could find somebody to take it over, and it would simply then be a matter of transferring it across to them. As long as those people could then go through the process of due diligence and all of that sort of stuff and get a licence, the casino could be up and running in a reasonably short time frame, which I understood to be somewhere around three to six months.

We came back to the island. It became pretty plainly obvious that nothing was happening. I made a phone call to Ms Verova and I very bluntly said to her, 'What's the story, Sema? Have the minister's balls shrunk?' because it was plainly obvious that people were not as keen to go down the road that they indicated earlier they were going to take. She said, 'No, that is not the case at all. We are proceeding along the lines that we discussed with you when you were in Sydney.' I suppose it only took another month or so after that for the action by Mr Woodmore to come on, and next thing you know we are in a situation of liquidation. I confronted Dr Turner from the department with that—once again at a meeting with the administration, in the presence of Mr Nicholls and others. Dr Turner's reaction to me was one of, 'Well, you are on pretty dangerous ground here; you just want to watch yourself with the allegations you are making.' But it was a major turnaround, and his response was very predictable: 'Oh, look, there is nothing we can do now. The matter is before the courts. Due process has to take place.' Somewhere along the line a decision was made not to intervene directly but to put the matter before the courts. I would be very surprised if there was not very close cooperation and contact between Mr Woodmore and the department to bring that about.

CHAIRMAN—What department was that?

Mr McLane—The department of territories. Mr Herbert then goes off to Jakarta to meet with Mr Robby and Herman and the gang and is confronted immediately with, 'Oh, you're Frank Woodmore's liquidator. Why should we cooperate with you?' This is from discussions that I am party to on the Committee of Inspection. Mr Herbert believes that he eventually, after a couple of days, convinces them that that is not the case. Some documents are drawn up and agreement is reached about things being paid—stuff starting to happen, which I think Mr Herbert would have given evidence about. At that time, I did not believe that Jeff Herbert was Frank

Woodmore's liquidator, but I tell you now that I do. I think Mr Woodmore was given a dream run. I think, in some instances, the advice that Mr Herbert took from Mr Woodmore would have been prejudiced on Mr Woodmore's belief of things as well.

I cannot help but wonder whether, if things had been different, through people who had a good working relationship with Mr Robby and others—people like Mr Snowden—the situation might have been able to be overcome. But it was unfortunate for us. It happened at a time following the South-East Asian crisis. It happened at a time when Pauline Hanson was at her peak, running around the place talking about Asians, and the Prime Minister was sitting on his hands in relation to what she was saying—which really did Australia a hell of a lot of good outside of Australia! If that had not been the case, things might have been able to be handled differently. But the one sad thing is that, if we had known that we as a community group could have got the casino for \$6 million, \$7 million, \$8 million, \$9 million or \$10 million, I believe the minds on the island could have been turned to what I heard Mr Thomson explaining this morning—finding that sort of money. I do not believe that it would have been impossible. I think we could have done it.

I must have been extremely naive. When I found out that we had an offer from ComsWinfair for \$5.5 million, if I had thought for one minute that you could have raced out and offered another \$200,000 and got it, that is what I would have tried to do. So is it a corruption of the process or is it legitimate? I tend to think it is probably legitimate. I think Jeff Herbert is a pretty careful sort of a character, and I do not think he would do something that was legally wrong, even if it is a bit suspect morally. We were just dumbfounded when the tender had closed after being put out two or three times, only for a bid to be accepted that came in after everything was closed. It is a farce if you can sit back, see what the best bid is and then come in and offer a little bit more and get it.

The other thing I wanted to just touch on is another question that I put to Mr Herbert in the last committee of inspection meeting that I attended. I attended by phone; I was in Canberra at the time, at the end of November or early December last year. I put a question to Mr Herbert that was similar to this: when you were talking with Minister Macdonald's department about the terms of the lease and the agreement in relation to Soft Star, did somebody from the department put the view that on this occasion the terms of the lease should be relaxed for Mr Kwon? The terms of the lease with the previous owners, as I understand it, were very strict. I have never seen it but I understand that Mr Snowden has. They were very strict and they had to do certain things: for example, they had to open seven days a week, 24 hours a day unless they got exemptions, and the property had to operate as a resort-casino. So I had the suspicion in my mind that someone from the department had gone in to bat for relaxed terms of the lease for Mr Kwon. It pays to ask questions because sometimes you are totally amazed at the answers you get. Mr Herbert said, 'Well, look, David, that was not the case at all. The officers of the department were extremely strict and did not want to see any relaxation of the terms at all, and it was the minister himself that gave the instruction that the terms were to be relaxed.'

CHAIRMAN—What part of the terms?

Mr McLane—In particular, the term requiring them to operate a casino resort—and others. But that is the main one, in my view. If that is not a requirement, it just makes the whole thing a sham.

CHAIRMAN—You said that Mr Nicholls was acting in the interests of Mr Kwon. Do you have any evidence other than the half a dozen phone calls that corroborates that serious accusation?

Mr McLane—I have the correspondence that Mr Thomson presented, SOCI 1, where I raise these questions. I get the answers that everything is in order. I then see, with my own eyes, Mr Nicholls having an involvement with APSC—for example, showing Mr Entsch around the island and showing him the proposed sites. I have a discussion with the chairman of Christmas Island Phosphates, who confirms to me what I have been told—that Mr Nicholls met with him, representing the Commonwealth, on Christmas Island in the week that he was finishing up.

CHAIRMAN—Wouldn't that have been part of Mr Nicholls's job, anyway, to meet people like Mr Kwon?

Mr McLane—Mr Nicholls had written a letter informing people around the island that he would be having no more dealings with APSC and that all correspondence would be going to other officers. When it became apparent to me that that was not the case, I wrote to Mr Taylor specifically with that, and received assurances from him that things were in place to make sure that there was no conflict. But then I still see Mr Nicholls being involved. In the final week of Mr Nicholls's term here, when a loggerhead was reached with Christmas Island Phosphates over the release of the land, it was very obvious to everyone that Mr Nicholls was doing nothing but work on APSC stuff in that week. I can give evidence of names of people who were at meetings with him and where those meetings took place, should that be necessary. I take it a little bit further than Mr Thomson did and I plainly make those allegations.

CHAIRMAN—You are clearly irate about the sale of the resort, not just because it was sold but because it was sold for \$5.7 million, and your antipathy seems to be directed in part, at least, to the fact that you have missed out on it, and had you had information that you allege Mr Kwon had when he made his bid of \$5.7 million, you—meaning the Union of Christmas Island Workers—

Mr McLane—Well, the community. Mr Thomson was physically trying to go out and—

CHAIRMAN—Yes, I understand that they are synonymous—the community and the Union of Christmas Island Workers; is that right?

Mr McLane—Are you asking me, 'Is that right?' in relation to the whole question—

CHAIRMAN—Yes. Is that true in relation to the Union of Christmas Island Workers and the Christmas Island community—that they are synonymous?

Mr McLane—I would take issue with that. They are clearly two separate organisations.

CHAIRMAN—All right. I was under a misapprehension. Let me take the community. The community is made up of whom in this sense? It is made up of the community, obviously, but what is it made up of predominantly: ratepayers, or residents?

Mr McLane—It is made up predominantly of ratepaying residents. They would certainly be in the majority, I believe.

CHAIRMAN—How do you know, then, that they would have been interested in acquiring the casino? Are you proposing that the shire would have made a bid for it?

Mr McLane—I had no authority from the shire at that time to look at buying a casino, but I had the information. I knew for some months that the bid was \$5.5 million and that there were conditions applied to that in relation to Coms21 Winfair that Jeff Herbert was finding difficult to overcome. I had assisted him on a couple of occasions in relation to some of those with the Commonwealth. So I had access to the information but I did not know that I could use that information and go and, for example, put a bid together. So I merely say that is the sad thing in it, because I think we could have done that. The experience on the island before in relation to the purchase of the mine, Mr Thomson's evidence as I understood it was that there was somewhere in the vicinity of \$2 million and \$3 million owed to employees. I do not think it would have been very difficult to come to an arrangement where that \$2 million or \$3 million became part of the stake or the equity in a public buyout. The shire was owed \$500,000-odd that we have been paid. I would have gone to council with a recommendation that we use that as an equity stake.

CHAIRMAN—Who is 'we'? I am still confused.

Mr McLane—The council at the time.

CHAIRMAN—The council would have bought an equity—

Mr McLane—That is what I would have put, yes.

CHAIRMAN—Sort of debt for equity?

Mr McLane—Yes. Then we could have set about trying to find another \$4 million or \$5 million to make the purchase. I think we could have done that with the mine and with private investment.

CHAIRMAN—So the shire would have actually—

Mr McLane—Had a stake.

CHAIRMAN—Been the owners.

Mr McLane—No, it would have had a stake.

CHAIRMAN—A majority interest, then.

Mr McLane—I do not know if it would give a majority interest. I think the employees would have had the majority interest. They were owed between \$2 million and \$3 million. But I think that could have been done. It is an absolute disgrace that those workers are still waiting for that

\$2 million or \$3 million. They have not got it. Although I was not here at the time, the experience of retrenched workers putting their money in to buy the business that retrenched them has been a major success in relation to the mine.

CHAIRMAN—Isn't it feasible that if the space people—the acronym escapes me—were to prolong the refurbishment and rejuvenation of the resort, even if it were just for accommodation, that it would deteriorate to the stage where it may not even be worth \$5.7 million and it may come up for sale again?

Mr McLane—That is correct, and that is a real shame, because I believe the asset is starting to deteriorate. It is still in reasonable condition; it is in excellent condition inside. But the previous owners had embarked on a project to spend, from memory, \$US11 million in refurbishments. I am not sure that \$US11 million needs to be spent, but certainly a significant investment needs to be made on that property to bring it back up to a four- or five-star international class establishment. So, yes, you are right. As time drags on, I believe the opportunities are passing us by. I believe we will never see the resort open again, whereas up until to the time I heard that Mr Kwon was going to buy it I passionately believed that we were going to see it open and operating successfully again, although I always saw it operating differently to how it did before.

CHAIRMAN—Senator Ian Macdonald said in a press release headed 'Christmas Island Land Issues' on 9 February this year:

I indicated to the new owners of the Resort that I would be prepared to consider converting the leasehold to freehold, after the Resort and casino was fully operational.

That would seem fairly unambiguous: the minister does not intend to exercise the ministerial discretion that he has by converting the 99-year lease to freehold unless they meet the criteria that he has outlined in the press release; that is, that the resort and the casino are fully operational. I would have thought that, in the interests of the ultimate increased capitalisation of a refurbished resort and casino, the fee simple on the 40 hectares would have been something that they would work towards. Even if it were used as accommodation, it should be open to at least a facade of a resort, and the casino should be operational. I am not familiar with casinos—I have been in business for many years—but that is all I place my hypothesis on. What do you think about that? Do you think that the freehold land, given its pre-eminent position, would be worth a lot more money as freehold than under a 99-year lease, some of which has already expired?

Mr McLane—Yes, it would be much more valuable to Mr Kwon. Certainly, in my view—I have no experience in property sales—he would be able to sell it for much more if he were selling a freehold property than a leasehold property with conditions on how the land is to be used. That could well be what Mr Kwon is about. His business is property development. Our concern was—it has been proven to be right—that, if it fell into the hands of Soft Star, who are part of APSC or have the same principals as APSC, it would be used as infrastructure that, in my view, could be sold off with the idea of rocket stations once all the licences and everything are put in place. Mr Kwon is a rich man, as I understand it, but I do not believe that he is rich in the context of rich like Mr Robby is—

CHAIRMAN—The Indonesian businessman?

Mr McLane—the Indonesian businessman—or rich enough to be able to develop a rocket station. I think that Mr Kwon has the idea and will sell the idea with everything in place. Whether he will sell it and then have nothing to do with it, or sell it for a stake in something bigger, I do not know, but our fears have been proven to be right. I have met face to face with Mr Kwon on only one occasion. We had a frank but cordial meeting, and it lasted probably an hour and a half. That is probably getting on close to 10 or 12 months ago now. In that meeting, Mr Kwon said to me that his intentions with the resort were to open it up again, to double the size, to extend the airport so that 747s could land here every day, and to have the place kicking on. My response to him at the end of the meeting was, ‘Thanks for the meeting. You’ve got my support totally in relation to what you say you want to do at the resort, but I’ll reserve my judgment until I see something happening, and to a large degree what I see happening at the resort will influence my decision in relation to the rocket station. You’ve got my support in relation to the casino, but I’m still far from convinced about the rocket station.’ Nothing has happened.

CHAIRMAN—I will ask one further question before I defer to Senator Greig. As a hypothetical situation, given the development of the resort and the casino to a standard that is acceptable both to the local authority and to the minister, would you then oppose the transfer of the 99-year lease to a fee simple perpetual lease or freehold?

Mr McLane—I think I would.

CHAIRMAN—But is it the goal of what you want—a resort and a casino opening here?

Mr McLane—Absolutely.

CHAIRMAN—I would propose that if that was the incentive that gave Mr Kwon the wherewithal then to proceed with opening the casino and the resort—

Mr McLane—I do not see that that is an obstacle. Mr Kwon bought into a lease. I have no evidence, but it is my opinion that Mr Kwon was certainly given some assurances—or a nod or a wink—that once the lease was signed it would be very quickly transferred over to freehold. When we raised this with Minister Macdonald, he was quite defensive. He said that there is nothing wrong with freehold, that it is good. We said, ‘If it is good for the resort, why isn’t it good for other people who operate businesses on the island who have been fighting with your department for years to get freehold for their businesses’—some have and some have not—‘why isn’t it good for them?’ To our amazement, and when I say ‘our’ I am talking about everybody—I would say the union was amazed, the shire was amazed and the Chamber of Commerce was amazed—Macdonald said, ‘Casinos are everywhere. They are like corner shops in Australia. We do not need a casino.’

CHAIRMAN—There are not too many corner shops left in Australia, Mr McLane.

Mr McLane—That is correct. Sadly, there is not and, I might add, every medium-sized town seems to have a casino or something that might as well be a casino. So we were just amazed with this sort of a response. In the dealings that I had with Senator Macdonald, ComsWinfair, in

my view, were genuine. They came and met with us—with me and others. I think Mr Turner was meeting with the Chamber of Commerce, and I think he was the president at the time. I also know one of the people who was working with them—one of the previous casino managers who had been here whom I had a number of discussions with—and they were genuine. They wanted to see the place up and running.

They were here on the island at the same time as two of Minister Macdonald's bureaucrats. A meeting took place with them, and the ComsWinfair people were that horrified with the way these Commonwealth officers conducted themselves that they said, 'We are walking. We are having nothing to do with it.' I spent time with them trying to hold them back in, and I know other people on the island did as well. I think it was about a week after this that we met with Senator Macdonald and some shire councillors in Canberra. The meeting was not specifically about this matter but it was certainly raised. Senator Macdonald asked me what the problem was, so I told him. He then put it directly to Dr Andy Turner in front of us, which amazed us. He asked him what happened and took him to task in front of us. He then said to Andy Turner, 'Get it down, Andy, and make sure it goes out: nobody from the department meets with any prospective buyer of the casino unless I am present.'

CHAIRMAN—We appreciate your detailed answers, Mr McLane, but we are running out of time so I will defer very quickly to Senator Greig.

Senator GREIG—I have two quick questions. We met with Mr Woodmore yesterday in Perth. In his verbal submission he made reference to you and expressed his displeasure at your allegations. He wanted to rebut them and did so strongly on the *Hansard* record. Did he ever approach you, either formally or informally, in a direct capacity and express the same view?

Mr McLane—No, he did not.

Senator GREIG—Did that strike you as odd?

Mr McLane—It confirmed in my mind, and still does, that I was on the money. Mr Herbert attempted to justify the assistance that he thought he was getting from Mr Woodmore. Mr Woodmore is a businessman. If it were not for his dream, the casino would never have happened. But he was also disgruntled and he successfully claimed that somebody—sorry, the name has gone from me—was unhappy in the arrangement. Mr Woodmore, I believe, has an affinity for the island. He wrote a guidebook to the island. You do not do that sort of thing without having some feeling for the place.

CHAIRMAN—I have seen it and I can recommend it.

Mr McLane—Although I acknowledge that Frank has these feelings for the island, I believe that his experience and the prejudices that he took with him from his difficulties in the shareholder arrangement—which he was in with Mr Robby and company—adversely impacted on some of the things that Mr Herbert did, which made people more entrenched in their positions. Once the Indonesians believed they were seeing proof of Herbert favouring Woodmore, things became more entrenched. And they are not easy to deal with.

Senator GREIG—Ultimately, your submission and those of some others is that there was something shonky about the process.

Mr McLane—Yes.

Senator GREIG—One of the things, if not the key thing that the committee is charged with today, is to see whether there is any substance to that submission. It seems to me that many people, including you today, are able to point to things or allude to things or suggest things, but there is no specific evidence. In the event that this committee winds up and can find no conclusive proof one way or the other, then where do we—and I am not quite sure whom I mean by ‘we’—go from there? What is the next step?

Mr McLane—If the committee is to make a recommendation, then I believe that as a bare minimum it should recommend that the Commonwealth underwrite the payment of the employees’ entitlements with Mr Herbert. I would go further and say that there is evidence. It is a fact that Mr Kwon made his bid after tenders had closed. It is also a fact that very little has happened with the resort. There has been a bit of an attempt to say, ‘It is open.’ After Mr Kwon gave his evidence, he had Mr Nicholls running around looking at getting a liquor licence in place for the establishment. If they were fair dinkum, they would be applying for casino licences and liquor licences and they would have some restaurants up and running—that sort of thing. None of that has happened. These are two strong facts that cannot be rebutted: Mr Kwon came in after the tenders had closed and nothing has happened with the place since he bought it. What would I like to see? Do not fall out of your chair, Senator, but I would like to see the Commonwealth refund Mr Kwon’s money and take it off him and do what should have been done in the first instance—have the minister put it out for expressions of interest and deal with it through that process.

Senator CROSSIN—Mr McLane, you said as part of your evidence that it is your understanding that, in a meeting with the departmental officials, it was the minister who gave some sort of advice to his officials that the terms of the release could be relaxed. Is that correct?

Mr McLane—That is correct. That is what Mr Herbert said at the last committee of inspection meeting that I attended.

Senator CROSSIN—What date would that have been?

Mr McLane—That was late November or early December last year.

Mr SNOWDON—Was it 5 December?

Mr McLane—Parliament was sitting at the time. I would say yes, it would have been around that first week in December. Mr Herbert was very clear and put me in my place by saying, ‘No, you are wrong.’ Officers of the department were quite strict in the terms and conditions they wanted in there but they were overridden by Macdonald.

Senator CROSSIN—Earlier this morning we had two letters from the Union of Christmas Island Workers tabled to the committee. One was dated 25 May, signed by Minister Macdonald, in which he clearly says:

The purpose clause in the resort lease states that the premises are to be used only for “a hotel/casino and ancillary thereto ...”. A change in use would require the approval of the Commonwealth.

Yet, on 29 November, in a letter to the Union of Christmas Island Workers signed by the minister, he states:

This means that the lessee is allowed, but not required, to operate a hotel/casino.

His change of intent about the operation of the property that was communicated on 29 November seems to fit with the advice you were given in late November-December of the meeting of the inspection committee. Is that correct?

Mr McLane—That is correct.

Senator CROSSIN—We have also heard that ComsWinfair were negotiating with the Commonwealth in respect of a number of obstacles, in a sense.

Mr McLane—Yes.

Senator CROSSIN—Were you aware, as a member of the inspection committee, what some of those difficulties were?

Mr McLane—Yes, I was. One related to the level of taxation; another one related to the boundaries on the land and the road running up the hill; another one related to the water supply. There was another one that related to flexibilities and the way they would operate the casino and down to, I understand, the number of Commonwealth inspectors and things like that. From memory, there were about 11. Mr Herbert was of the view that he would be able to overcome some, but there were others that he saw as real obstacles.

Senator CROSSIN—In your view, were they major obstacles in which ComsWinfair and the Commonwealth may have been poles apart, or do you believe that they were not insurmountable?

Mr McLane—No. I believe that they would have been able to have been sorted out—some might have been relatively easy and some might have been more difficult. In my view, ComsWinfair were getting an absolute bargain at \$5.5 million. They had the contacts to be able to make this work, and they had done significant research and homework on it.

Senator CROSSIN—We had provided to us yesterday ComsWinfair’s submission and, in fact, you will probably not have a copy of that at this moment.

Mr McLane—I do not have it.

Senator CROSSIN—There are two paragraphs in their submission that I want to draw your attention to. One is the last paragraph, in which they refer to a letter from Minister Macdonald of 27 January. It is probably not a letter you have seen. It was a letter to either Mr Herbert or ComsWinfair—my memory escapes me now. Essentially, the elements of that letter went to the

obstacles and the minister's view about how they could be overcome. In their submission to us, they say:

The essential lease and licence conditions of importance to our tender were largely satisfied by the Minister's letter of 27 January 2000. We have no reason to believe that the outstanding issues would not have been resolved, or waived by ourselves, given the opportunity.

Was the Committee of Inspection informed of that view by ComsWinfair?

Mr McLane—No, we were not. We were not informed of that by Mr Herbert either. I am shocked to have that put to me now because the opposite was the case. It was presented to us that it was all too difficult.

Senator CROSSIN—They go on to say in this submission to us:

We have no reason to believe that the outstanding issues would not have been resolved or waived by ourselves given the opportunity.

This is the first time you have known about this?

Mr McLane—That was the inside information I was getting from my source that was close to them.

Senator CROSSIN—But not information you were getting from the liquidator or the minister?

Mr McLane—No, not at all.

Senator CROSSIN—Perhaps you might want to comment about another paragraph in this submission—

Mr McLane—Could I just say that that is really at odds with what we were being presented with as a committee of inspection by Mr Woodmore and Mr Herbert.

Senator CROSSIN—Why is that? Were they suggesting otherwise: that the obstacles could not be overcome?

Mr McLane—Yes, that they could not be overcome. I know Jeff Herbert was working very hard to try to overcome them. He discussed it with me a number of times, to the extent that I said to him, 'You shouldn't be doing these negotiations. You should extricate yourself from it and get Coms21 and the minister talking directly.'

Senator CROSSIN—To your mind did that ever happen?

Mr McLane—I am not sure. I think it may have come about, yes. I know there was a meeting where Coms21 were in discussions with Senator Macdonald.

Senator CROSSIN—I also want to know from you whether or not the Committee of Inspection were aware of this next point, which is from another section of ComsWinfair's submission to us. They said:

The resolution of lease and licensing uncertainties—

which I take to be the obstacles we are talking about—

on reasonable terms would, we believe, have established a value for the properties closer to the \$11.5 million we originally tendered.

Mr McLane—How much?

Senator CROSSIN—\$11.5 million.

Mr McLane—I heard that figure when it was put to Mr Thomson earlier. I have never heard a figure other than \$5.5 million. That is all that has ever been reported to the Committee of Inspection—that the bid was \$5.5 million with conditions from Coms21 Winfair. The bid from the other syndicate was for a lesser amount and was contingent on getting a gaming licence for Internet gaming as well as having to raise the capital.

Senator CROSSIN—The liquidator certainly stated to us yesterday, and it is in his submission, that on 29 October 1999 ComsWinfair's bid was for \$11.5 million.

Mr McLane—Well, I am amazed.

Senator CROSSIN—Somewhere in the process—in the second round I am assuming—they resubmitted a tender at a purchase price of \$5.5 million.

Mr McLane—I would have to look at the date when the Committee of Inspection was actually set up. From the dates you talk about, I do not think it is prior, but it could be. That would be the only explanation that I could think of as to why we would not have been made aware of the \$11.5 million. I am at a loss.

Senator CROSSIN—We were told yesterday by the liquidator that, between 29 October 1999 and 15 December, ComsWinfair undertook consultations with representatives of the minister regarding the proposed amendments to the crown leases.

Mr McLane—It was certainly during that period.

Senator CROSSIN—I take it from ComsWinfair's submission that they did not believe the obstacles were insurmountable and, if they had been met, perhaps their previous offer of \$11.5 million might have been realised. Are you telling me that this is the first time you are aware of this sort of information?

Mr McLane—It is the first time that I was aware that Coms21 Winfair believed that they could overcome the obstacles and were close to overcoming them, but that was from information I was receiving outside of the process. Today is the first I have ever heard of

\$11.5 million. That certainly would have been at a time that the Committee of Inspection was in place, because the Committee of Inspection was in place for at least eight, nine or 10 months, from my recollection. We caused it to be put in place when we were not happy with the tender process being delayed.

Senator CROSSIN—Thank you.

Mr SNOWDON—For your information, Mr McLane, and for the record, the submission that we received from the liquidator, if I can find the name of the firm—

Mr McLane—While you are getting to that, may I add briefly that I am aware, Senator Crossin, that following a meeting between Mr Hugh Moore and somebody else from the department on the island, that ComsWinfair had basically said, ‘We’re out of here; we’re having nothing more to do with this.’ But they did come back in.

Mr SNOWDON—For the purpose of the record, in the submissions presented to us by the liquidator, Mr Herbert, meetings of the COI had taken place on 17 September 1999, 18 October 1999, 3 December 1999, 23 December 1999, 11 January 2000, 7 April 2000, 12 May 2000, 5 December 2000 and 26 February 2001. Given that a tender is received on 29 October, and you met again on 3 December, are you saying that this Committee of Inspection was not appraised by the liquidator of the tenders or the prices proposed?

Mr McLane—Yes, we were. We were told \$5.5 million. I could probably work out when that was from the dates, but we were certainly told that \$5.5 million was the best bid.

Mr SNOWDON—That is fine. I can help you with it.

Mr McLane—Jeff Herbert was very clear. He said that there were two bids, one of which would not really go anywhere.

Senator CROSSIN—That is after 15 December 1999? So it is the second round?

Mr McLane—Yes, that was after the second round of tenders. He said the one from ComsWinfair was disappointing; they had offered only \$5.5 million and they had conditions on that which were going to cause difficulties. We decided that Mr Herbert should spend his time trying to close a deal with ComsWinfair and not waste any time with the other consortium.

Mr SNOWDON—I just want to take you back a moment so that we are very clear. At no stage did the liquidator, Mr Herbert, advise the Committee of Inspection after 29 October, which is the date they received the first round of tenders, that they had received a tender offer? The tender submitted by ComsWinfair was for \$11.5 million, and you were not aware of that?

Mr McLane—The first I have heard of \$11.5 million is today. The only figure I have ever heard is \$5.5 million.

Mr SNOWDON—Hospitality and Gaming Investments Pty Ltd submitted a tender of \$20 million?

Mr McLane—I have never heard of them.

Mr SNOWDON—From JDW Management—a tender received of \$19.5 million?

Mr McLane—I have never heard of them.

Mr SNOWDON—So there was no discussion with you about those tenders, that you can recall, by the liquidator?

Mr McLane—Today is the first time I have ever heard of those tenders. I was firmly of the view that there were only two that looked like—

Mr SNOWDON—What has happened is that on 15 December, he spoke to them again, they received the final tenders, one for \$5.5 million from ComsWinfair, and one for \$14 million from Hospitality and Gaming Investments Pty Ltd.

Mr McLane—No, I have never heard of the \$14 million. I am not sure who that company is. I do not recall the name of the bid that came in second, but I know that one of the people involved in that bid was a character by the name of Glen Secco who was previously the licensee of the casino and who worked for Casinos Austria during their day.

Mr Herbert explained to us that this consortium was basically a group of Perth people involved in the entertainment industry—hotels, et cetera. I think from memory there was some mix up with one of those goldmine dot com type things. They wanted to run the casino but their bid was contingent on getting a licence to operate Internet gaming. So their bid was not too good, plus it was contingent on their being able to raise the capital. We knew what the Prime Minister's view of Internet gaming was, and, on the information we were given, it was not hard—it was very easy—to say, 'The only one worth pursuing is Coms21.'

Mr SNOWDON—That reflected the document that was received. What was the function of the Committee of Inspection? Under what rules did you operate?

Mr McLane—I cannot give a technical answer. We received a lot of complaints. People were really upset when Mr Herbert made the decision to extend the first tender. I had one of our officers contact the shire's lawyer, Mr John Woodhouse, who is a specialist in local government law. He said that it was outside his area. To cut a long story short, we ended up having Mr Woodmore brief a Perth barrister by the name of Anthony Siopis. One of the areas in which he specialises is liquidations. Mr Siopis advised us of the ability to establish a committee of inspection. Mr Siopis attended a creditors meeting with me at which we put up that advice, and the creditors voted for it. Mr Herbert supported it as well. Mr Siopis then attended the majority of the Committee of Inspection meetings with me as well. So my understanding is that it came about under the bankruptcy law. I cannot be any more specific, but my understanding was that the—

Mr SNOWDON—What I am interested in, given the time constraints, is this: what did you expect of the liquidator in terms of his responsibilities to the other members of the Committee of Inspection?

Mr McLane—We expected to be briefed on where things were at. We knew that we had the powers to authorise his payment, which we did on a number of occasions. We expected to be kept in the picture and to be advised about where things were going and have our views considered.

Mr SNOWDON—When we go to the end of January, we have this correspondence from the minister to someone, outlining basically that there were a couple of outstanding issues and that they were close to resolution of the ComsWinfair, you had a meeting on the—

Mr McLane—December was the last one for me—3 December.

Mr SNOWDON—Subsequently there was a meeting on 11 January and another one on 7 April. I take it, though, that there was no discussion with you whilst you were present at any of these meetings about the possibility of their going outside to another party?

Mr McLane—No, not until we started hearing the rumours on the island, and then I wrote to Herbert insisting on a committee of inspection.

Mr SNOWDON—Given that we were aware that he has been fishing around for this sort of stuff in December, there was no discussion with you or with the Committee of Inspection about Soft Star?

Mr McLane—No. The only time I was aware of any discussions with Soft Star was early in the piece, while the tenders were still open.

Mr SNOWDON—In terms of the lease arrangements—you were then president of the shire—what was your understanding at that point of what land planning and title issues were being addressed in the context of the casino sale?

Mr McLane—My understanding was that a fundamental part of that lease arrangement would be the requirement to operate a resort casino.

Mr SNOWDON—Do you know what the zoning provisions were for that area of land? Was it zoned tourism?

Mr McLane—I would imagine so, but I do not know.

Mr SNOWDON—During that period in which you were the shire president, what discussions, if any, did you have formally with the Commonwealth government or the administration about the prospect of freeholding leases, including the lease of the resort?

Mr McLane—None whatsoever, until we raised that question directly with the minister at a meeting—referred to by Mr Thomson—at the shire office during his last visit. I do have a recollection of raising these issues with the minister in correspondence, but it was at our instigation, if that is the question.

Mr SNOWDON—What discussions are you aware of with Mr Kwon subsequently about his interests and his desire to freehold the land? Did he approach the council?

Mr McLane—Not to my knowledge.

Mr SNOWDON—My next question is one I am raising with you because I said to Mr Kwon that I would, and I asked the same question of Mr Thomson earlier this morning. I raised this question with Mr Kwon in evidence on 7 February 2001. The *Hansard* record shows:

Mr SNOWDON—What discussions have you had with the local community about your desire to freehold?

Mr Kwon—They think it is a very good idea. They support it.

Mr SNOWDON—The council supports it?

Mr Kwon—I think it depends on who is the council but I think the general members of council support it.

I just said I would be asking you. What is your response to those two statements?

Mr McLane—That is news to me.

Mr SNOWDON—Has there ever been any discussion initiated by Mr Kwon or the Commonwealth with the council about freeholding this land?

Mr McLane—Not to my knowledge.

Mr SNOWDON—To your knowledge there has been no discussion in council about a proposal to freehold this land?

Mr McLane—No, not to my knowledge. The only way there could be was if something came into one of the officers, but I would be amazed if that was not raised with me; if it has, it is news to me.

Mr SNOWDON—Do you have any observations you might help us with in terms of the discussion we had earlier with the chair about the community interest. You said that if you had been aware that you could throw in another bid at \$200,000 or thereabouts above the going price you would have done it. What is your view then of the liquidation process which is being undertaken?

Mr McLane—As I said in the correspondence to Mr Herbert, it is a corruption of the process. I believe it is a sham. Why go through two tender processes that drag on forever when someone can come along and make a bid outside of that process? If the shire had ever conducted a tender like that, it would have been in serious trouble. With tenders, you are not meant to know what the price is that you have got to beat; it just becomes a sham if you do, in my view.

Mr SNOWDON—Is it your view that the community could feel aggrieved that it was not given the opportunity to put in a tender?

Mr McLane—Certainly.

Mr SNOWDON—Is it your view that ComsWinfair could feel aggrieved at the way in which the process was handled subsequent to their tender being put in?

Mr McLane—Absolutely. That was my view before coming along here today, but, having had the chance to hear some of what Senator Crossin put to me, it is absolutely. If you were a commercial entity, why would you have anything to do with them?

Mr SNOWDON—What is your general view of the way in which the minister, his office and department deal with the community in relation to development issues like this?

Mr McLane—I think it is a disgrace. As I said, I was very impressed when I heard Senator Macdonald give the instructions that he gave to Dr Turner and take him to task. I honestly believed what Senator Macdonald said to us in Canberra, that if there was anything proper he could do to speed up the process or to assist he would do it, and that we should contact him if there was something. I believe that Senator Macdonald at that time genuinely wanted to see the casino up and running. That was certainly my belief. I am not so sure now.

CHAIRMAN—Thank you for your appearance here today, Mr McLane. Any adverse reflections that you may have made today on a person or persons will be forwarded to them, by way of the *Hansard*, for their comment. If there are any matters on which we might need additional information the secretary will write to you.

Mr McLane—Thank you, Mr Chairman; thank you, members.

[2.26 p.m.]

TURNER, Mr Edward (Private capacity)

CHAIRMAN—Welcome. Are there any comments you wish to make about the capacity in which you appear?

Mr Turner—I am a resident of Christmas Island. I have been involved with the island for quite a long period. I am a local businessman with a number of business interests, including travel, hardware, newsagency and the duty free shop. I appear as a private person.

CHAIRMAN—Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Are there any corrections or amendments you would like to make to your submission?

Mr Turner—I have no corrections or amendments.

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

Mr Turner—No, I do not.

CHAIRMAN—Do you have any other comment before we ask questions?

Mr Turner—No, I do not.

Mr SNOWDON—Mr Turner, could you outline, as briefly as you like, your involvement with the tender for the Christmas Island hotel resort and casino?

Mr Turner—Would it be best if I spoke to the submission?

Mr SNOWDON—Please do.

CHAIRMAN—I invited you to do that, Mr Turner, but please proceed now.

Mr Turner—I am sorry, I thought you just wanted to question me on the submission. I was initially contacted by the Winfair Group, which is based in Canada, to handle one of the flights for their President, Mr Jack Tse, to come to the island. In those initial discussions on the telephone I was asked who I was and what I did and for some background. From that, because of my involvement with the chamber of commerce, numerous telephone calls emanated over many months.

First of all, this company was looking for very pertinent information regarding aviation: statistical data on the number of passengers who might be travelling between here and

Singapore; and the costs of involvement of air transportation between Jakarta and Christmas Island, and Singapore and Christmas Island. At that time, I was operating an aviation ground handling company at the airport. It eventuated, I guess because of my long years on the island, that executives of this company were asking me numerous questions, mainly general information about the operations of the previous resort and about Christmas Island. The consequence—and I will just go back to this report I have submitted—was that the Vice-President of the Winfair Group, Mr Roger White, came to the island, and I spent a fair amount of time with him in a couple of days. He was sent here by the principal of the company, Jack Tse, to carry out a fact-finding mission. I have stated in the report the dates that he came to Christmas Island. Followed that, on Friday the 25th, I think it was, his president, Jack Tse, came to the island and held discussions with the Administrator in his residence. Mr Tse was not particularly impressed with the answers that he was given by the Administrator.

CHAIRMAN—Were you there, Mr Turner?

Mr Turner—No I was not in attendance, but he related that discussion to me at the airport. The Administrator naturally was not involved in the sale process, nor, I believe, was the Administrator given at that time any instructions to answer any questions on behalf of Territories. So Mr Tse went away quite dissatisfied, but he was impressed with the potential of the island, and so was Roger White, his vice-president. When he left he indicated that he thought there was enough interest by his group to send a delegation of other executives here to carry out a detailed feasibility—he said, ‘That is what I am thinking of doing.’

In the next few months—from April until November—I received numerous telephone calls from a gentleman by the name of Mr Rodger Mortleman, who was the Chief Executive Officer of Coms21 Ltd. At that time it was an Australian listed company. It was involved in Smartcard technology and also involved in software for gambling and casinos. Mr Mortleman spoke to me on a number of occasions. There were lots of general discussions. Even at that point in time they had a view that the casino resort was worth somewhere between \$10 million and \$15 million. Those figures were expressed to me on a number of occasions. They asked the question, ‘What do you think that place is worth, what value is it?’

Mr Jack Tse, the President of Winfair, had arranged for his Vice President, Roger White, and a number of other experts to come here on 21 November. They were here on the island until 25 November. I have listed the people who arrived in that delegation. There was: Mr Rodger Mortleman, the Chief Executive Officer of Coms21; Mr Roger White, the Vice President of Winfair; Mr Herb May, company secretary of ComsWinfair; Mr Alan Smith, Managing Director of Alan Smith Consulting, which I think was involved in hotel management; Mr Barry Wormald, an engineer with EMF Griffiths Consulting Engineers—he came to look at all the mechanical aspects of the resort: airconditioning, plumping, electrical, building structure and that type of thing—John Wicks, a consultant who runs Global Gaming Consultants and who was the casino manager when the resort was operative; and Mrs Mortleman, Mr Mortleman’s wife, who was involved with a company called Rodmain.

When they came on the 21st and for a number of days they were highly enthusiastic about the tender. They discussed with me that they would be setting up a charter aviation company in Indonesia. They already had a charter operation in Singapore and Hong Kong. They were talking about using that network to handle the air delivery to Christmas Island from those

particular destinations. Winfair Group were also involved in a lot of aircraft leasing. At that point in time I know they had a number of 747s on lease to Cathay. They also had a very large aircraft refurbishment company in Florida. So they had significant experience in the airline area and some deep pockets. They were very enthusiastic, then an event occurred which absolutely astounded them.

I am not aware of all the people who attended this meeting, but I have highlighted some of them. A meeting was arranged with the Department of Territories on 23 November. It was headed up by Mr Hugh Moore from the Department of Territories, Canberra. Mr Gary Dunt from the administration here attended. Mr Rodger Mortleman representing Coms21 attended. Mr Roger White represented the Winfair Group and Mr Bryan Edwards represented GHD. I believe there were a number of other representatives from the Commonwealth at that meeting. Straight after the meeting they came and spoke to me. They indicated that Mr Moore had said to them in a very authoritative, very aggressive and uncooperative manner—that was how it was described—the Commonwealth was considering constructing a wharf at the waterfall cove and wanted to extract that cove from the lease. There was some consideration about offloading tuna boats at this wharf.

They were also informed that the water supply was going to be extracted from the lease and they would be then paying the Commonwealth water and sewerage rates. They asked at the time how much those rates would be and they did not get an answer. They were informed that the road from the resort to Lily Beach was going to be extracted from the lease and become a public road. They were informed that an area above the resort where the former company had constructed workshops was not to be permitted for development because it was above the water catchment area. They asked, 'If you are going to take all this away from us, what is the Commonwealth going to do towards replacing the land?' They were not given any satisfactory answers there—that they would be given any land to replace the land extracted or whether or not there would be other land available for development.

This particular company, Winfair, operates some very large resorts in the Caribbean, including condominiums and hotels—10-year type developments where a part of them is unsold. The two hotel operations they run are very 'highly managed'. In other words, the hotel operations bring in their own people in their own aircraft and they supply fishing boats and diving boats—it is very highly developed tourism in a package form. Again, this particular company has a track record and, I understand, is very financially sound, but I never checked on that.

They came away from the meeting and, when they both spoke to me, they were just bewildered. They were astonished, and they did not understand where the Commonwealth was coming from. Roger White said to me, 'The old man won't go ahead with his tender. We're finished. We don't know where we stand now with the leases.' Rodger Mortleman's position was, 'It's not that bad, Roger. We were going to offer them \$11 million, but we can't do that now. We're going to have to carve that down because we really don't know where we stand. And not only are we going to have to carve the price down, we are going to have to put a lot of conditions on it. If this is the way they are reacting with the land lease, what are they going to do with the casino licence? If we tender now, we had better make sure that we have this casino licence, because these guys are going to do the same thing with the casino licence.' That is what they expressed.

When they had been here for a couple of days, my wife and I took them to a lookout for an evening meal—just a barbecue and that sort of thing. We were with them for about three or four hours, and during that time I had lots of conversations with the whole group. As I have indicated, we subsequently know that their tender came in at \$5.5 million and that it was highly conditional. That occurred because of that meeting. I was so concerned about it that I requested a meeting with the Administrator the following morning. I rang the Administrator up at about 8.30 in the morning and said, ‘Bill, can I come and talk to you? I think this meeting that has been held has possibly destroyed the chance of this group tendering.’ The Administrator told me that it wasn’t that bad and that Hugh Moore and the party only went out there for an information meeting. I understand that Michael Asims was also very alarmed because these people went to Michael and explained what had happened, and Michael apparently rang the Administrator as well. As you know, Michael is the current manager of the resort.

On the day of departure, the 25th, I happened to be with the group again, and they were still working in groups. I went out to the resort to see them, and I was shown a letter. They said, ‘Have a look at this.’ It was a letter from the minister addressed to the liquidator, Mr Herbert. I even scribbled down a few notes, because at the time I thought, ‘Boy, this is a bit significant.’ The letter from the minister to the liquidator—and I do not have the date, but it was either late August or September, and I remember thinking at the time that it was quite some time before this meeting—contained three very important issues that would have been of vital concern to any tenderer. Certainly, these people were quite astonished by it. They had only been given this letter virtually on the death knock—on the last day of their departure. I understand that it was sent by the liquidator. The letter—I think it was two or three pages long—said that the land leases could be converted to freehold if the minister thought it was appropriate. You have heard some other comments here about leases and freehold. Leases and freehold are quite significant. They are very significant to me, and I can give you a personal example—

CHAIRMAN—I do not want to interrupt you, but the committee has two more witnesses to hear. We do have a very tight schedule—we have a plane to catch at 4 o’clock. I wonder if it would be possible for you not to go into so much detail but to still give us, in essence, the elements that you wish to.

Mr Turner—All right. That letter indicated that the leases could be converted into freehold and that the purchaser of the resort did not really have to appoint a third party. The previous casino had to appoint third parties to manage the casino and they had to pay their management fees. That was going to produce a huge saving—\$1 million to \$3 million. There was also going to be a reduction in the turnover, from 11 per cent down to 9 per cent—another significant reduction.

To summarise: as far as I am concerned, the meeting held by the Commonwealth with the Winfair Group virtually reduced their tender proposal by over 50 per cent. I have always wondered who from the Commonwealth arranged this meeting and who gave instructions to Hugh Moore to state the Commonwealth’s position, because it was not known before then. Why did the Commonwealth want to interfere in tender negotiations? That tender came out at \$5.5 million and the resort was sold for \$5.7 million, and I think there is a big question as to whether the Commonwealth now has a legal liability to both the liquidator and to people like me, as a creditor. I do not believe I am going to get paid—I will not get paid.

From my perspective—and I am talking as a businessman; I am a qualified accountant and I have been in big business for over 20 years working for large international companies, and for a lot of that time I was involved in banking and finance—all that was paid for the resort was the minimum amount, representing the reduced, depreciated value of the buildings. Someone failed to put together the value of the tender, which was in its licences: the liquor licence, the gambling licence and the lease. I believe that nothing was put together, either by the liquidator or by the Commonwealth, to capitalise on that value. The resort has been sold for the depreciated value of the buildings only, and the consequence is that most of the creditors will lose out. I do not know whether the liquidator went to the Commonwealth and the Commonwealth refused to do that or whether the liquidator failed and he did not structure up, but those conditions should have been put together before the tender went out and people should have known.

I have also given a brief explanation about why ComsWinfair failed. Certainly, they had contemplated using the land that is behind the buildings. Many people will tell you that the current complex is not viable, that having only 156 rooms is not viable. Large groups have looked at it, and they need 300 to 500 rooms. The land above it was very important to ComsWinfair to add other rooms to the complex, and yet they were being told that they could not build there.

I have made the statement that the whole tender process was flawed. I do not know whether that is because of the Commonwealth or the liquidator, but it was flawed. What is critical in the future—the question was asked—is what happens now. This community only wants that place open. It is of little use us taking the stick to Soft Star; the property has been sold to them. Freehold is very important when borrowing funds. Banks do not like leases. Because I was on a lease, my housing mortgage cost me three-quarters of one per cent more than if I had freehold. The other points I have mentioned are suggestions about what the Commonwealth should do.

Mr SNOWDON—Thank you for your contribution. I have one quick question about the issue of leases versus freehold. There are jurisdictions in Australia where leasehold is the only form of title. I am certain that they are not offered a lower interest rate than they would get if they were in freehold in Western Australia. Whoever is dealing with you at the bank needs to take that into account. I accept the view about the difference between freehold and leasehold in the context of a 99-year lease. In any event, that is not my issue. The issue for me is the question as to what negotiations and consultations took place with this community about issues to do with land use and titles to do with land use. It is very clear from all the evidence we have received so far, that there has certainly been no discussion, consultation or negotiation with the community represented by the shire on the question of freeholding this lease. I just make that observation.

I, too, do not think there is much point in taking the stick to Soft Star, and certainly not in the context of doing something that we inevitably cannot do in the casino, but there is a question about their accountability to this community. They made undertakings to this community that, within 12 to 18 months, they would have this resort up and operating. It is now 19 April, all but 12 months since the purchase, and nothing has happened. The community is quite rightly peeved that that is the case.

What needs to be done by Soft Star to get this hotel resort into a position where it can operate? I do not know whether you have read the evidence from Mr Kwon, but he has talked about there being no flights, all of which we know, but presumably someone has to stimulate those flights. It might well be, as someone has put to us, that that happens once the space thing happens, but, if that does not happen, what will happen to the resort? Do you have a view about what can happen immediately to stimulate activity?

Mr Turner—My only viewpoint, truthfully, based on the current state of the island, if I were the owner, is that I would not do anything. It is just not viable. I have done my own figures on that hotel operation. I have referred Mr Kwon to talk to two major hotel groups in Singapore. Those people have come back and said to me that it is simply not viable. There is at least half million dollars to \$1 million a month that someone has to pay for the airlift alone, and that is impossible. Marketing offices would have to be set up throughout Asia. One point that I will say—and I know it only because the shipping agent in Singapore told me—is that there is a container load of airconditioners coming down, so all the airconditioners will be refurbished at that resort next month, so some things are apparently happening with the resort.

Mr SNOWDON—What has changed between now and May last year that makes that assessment different? Presumably, in May last year, at least from my memory, things were no different from now.

Mr Turner—They were not.

Mr SNOWDON—So why would he be in a position to make the statement then that he was going to have this resort up and operating within 12 months if the conditions were the same? Presumably, he understood them.

Mr Turner—I think his expectation about the APSC's business activity was for it to be up and running before then. We know there have been delays in the transfer of the land from the mining company and I believe there have been delays in other negotiations as well.

Mr SNOWDON—That is a different exercise. We are talking about a casino here. We are not talking about APSC: we are talking about Soft Star.

Mr Turner—I cannot envisage what Mr Kwon was going to do, but certainly if it were me as the businessman and somebody said, 'Get that up and running now,' and the community had said to me, 'You invest. We are going to pay you \$5.7 million, and buy it and run it,' I know that, quite frankly, they could not do it.

Mr SNOWDON—But you are confident ComsWinfair could?

Mr Turner—I am confident ComsWinfair could have. ComsWinfair were looking for additional land to develop. They wanted to develop things like they have developed overseas—condominiums. They wanted to develop other hotel groups, or other small accommodation units which would complement that. They had a very large master plan which embraced all the things that we are talking about. It embraced the airlift, marketing offices in Asia, the gambling and the tourism. If somebody is going to have to tackle that now, they have a big task. They have to do all of those things, otherwise they will just waste their money.

Mr SNOWDON—They have done a strategic planning exercise, a business plan, for the development of this casino site?

Mr Turner—Yes, a very intense one. They brought some of the best people in the business here.

Mr SNOWDON—It is fairly clear that Soft Star did not have and do not have one.

Mr Turner—No. The only thing that Soft Star have indicated, and that has been indicated to me from some of the companies, is that they are looking to appoint a major hotel operator to manage it. But, again, if they want to do that they are going to have to put their hands in their pocket for \$25 million to \$40 million to upgrade that resort, and then a hotel operator would be prepared to manage it. Part of that would be to increase the rooms to around 300 to 500.

Mr SNOWDON—Can you see why people such as those who have appeared before us today are a bit concerned about the process when we end up with a company that clearly does not have either the wherewithal or the resources currently to have the thing up and running, whereas it appears, at least on the surface—and we will talk to ComsWinfair sometime down the track—that another company which was close to finalising an agreement with the Commonwealth does have? As a community member, do you have a view about that?

Mr Turner—I was very angry with the events that transpired because it was my perception that this was a very competent, powerful, interested group which wanted to do it. Subsequent to that, at the same time as these negotiations, they did go to the extent of forming a company in Jakarta and employing about six or seven people to handle that end of the airlift and then they failed. I do not know what they have done with the company and the people, but they were very serious.

Senator CROSSIN—Do you have a copy of the letter from the minister in August or September 1999, or are you just aware of its existence?

Mr Turner—I do not have a copy. It was shown to me and I was allowed to read it. I had it in my hand for a quite a few minutes because I read it quite intensely. ComsWinfair would have it.

Senator CROSSIN—You are alleging to us that the meeting that occurred on the island just prior to 25 November—the information they were provided by Mr Moore—is the reason their bid then dropped to \$5.5 million; is that correct?

Mr Turner—I have no doubt that that was the reason. I think the company would confirm that.

Senator GREIG—Mr Turner, I think you are the only witness who has come before us today who is enthusiastic about the prospect of freehold on the site. From other people today we heard their strong opposition to that prospect. One of the arguments put forward for that was the clear contradiction from the minister, for example, who seems to be keen on freehold for that site but not for residents and businesses elsewhere on the island. I assume that is something that you experience as a business person. Can you understand that reaction and do you think there is any validity behind that anxiety and opposition to freehold on that site?

Mr Turner—There is a great deal of anxiety, and it is proven by this exercise, where a myth exists that, if you have a lease, you don't own it. It goes beyond a myth: if you have a lease, and I am the Commonwealth, I can just alter that by telling you—I own this property, but you can change my boundaries by telling me that that comes out and that comes out and you can't do that there, so the perception of the owner is that he does not own it. The perception from the banker is, 'You do own something, but the problem is the Commonwealth can take it all away from you just with one letter. And you want me to lend money on that? Theoretically, not only don't you own the land, you don't even own the buildings on the land. If you want my money, you pay for it.'

So this is going beyond a myth, and that is how ComsWinfair were looking at it as well. It might be a 99-year lease but it is not freehold: we don't own it, because these guys can send us a letter, sit down in front of us and tell us that it has all gone. That is what happened. David Kwon would undoubtedly feel the same way. I know where the leasehold business came from: it came from Canberra bureaucrats. When land was first sold here, it was sold as leasehold land. The community had to fight to get residential land converted to freehold. Then we had to fight to get industrial land converted to freehold. And now we have the big developers who are fighting to get freehold on theirs. It exists because Canberra bureaucrats are used to leases in Canberra. That is why we are stuck with it here. I think the example I have given explains it all. That is how ComsWinfair felt about it. That is how Mr Kwon will undoubtedly feel about it. He does not own anything: you guys own it.

CHAIRMAN—Was it your understanding that the Winfair Group was given to understand that it would ultimately have the 40 hectares, or thereabouts, as freehold?

Mr Turner—No.

CHAIRMAN—It was always going to be leasehold.

Mr Turner—It was always going to be leasehold, but they had some concerns about that and on the 23rd they had some very grave concerns—

CHAIRMAN—The 23rd of?

Mr Turner—November 2000. They had concerns about it as well.

CHAIRMAN—They had serious concerns about the title?

Mr Turner—Yes.

CHAIRMAN—In your opinion, would it have perpetuated the Winfair interest in the casino resort if they had been given an undertaking that at some stage in the future—and with that as the only qualification, or perhaps the qualification that the resort and the casino were unknown—that the land ought to have been freehold?

Mr Turner—When they received that letter on the 25th, they had high hopes that it would be converted to freehold—following the minister's letter.

CHAIRMAN—At the time the press release of Senator Ian Macdonald was released on 9 February 2001 it said inter alia, and I quote:

I indicated to the new owners of the Resort that I would be prepared to consider converting the leasehold to freehold, after the Resort and casino was fully operational.

That was irrelevant to Winfair because they were not then in the race.

Mr Turner—That is right.

CHAIRMAN—Had that been made earlier, would that have made much difference to Winfair, given that he made that unequivocal statement?

Mr Turner—As I understand it, in their initial offer they were trying to get all these issues defined by the Commonwealth, but they were unable to get them defined. I understand it was pertinent.

CHAIRMAN—Is the ComsWinfair fair deal completely dead?

Mr Turner—I would think it is finished, yes.

CHAIRMAN—Thank you very much, Mr Turner. Insofar as you may have made some adverse reflections on a person or persons, a copy of today's *Hansard* will be forwarded to that person or persons for their comment. This is the usual practice of the committee. If there are any matters on which we might need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence, to which you can make editorial corrections. On behalf of the committee, I thank you for your appearance here today.

[3.06 p.m.]

HENDREN, Ms Teresa, Tourism Coordinator, Christmas Island Tourism Association

CHAIRMAN—Welcome. The committee prefers that all evidence be taken in public but, if you wish to give confidential evidence to the committee, you may request that the hearings be held in camera and the committee will consider your request. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as the proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Before we ask you some questions, do you wish to make an opening statement or comment?

Ms Hendren—Yes. The Christmas Island Tourism Association worked closely with the Christmas Island Casino and Resort, allowing the community's small businesses to access the tourism markets targeted by the resort. Following the closure of the resort and the rapid economic downturn of the island, CITA had to redefine its role. This meant the assumption of greater responsibility for the promotion of tourism to the island during a time in which airline services were reduced and accommodation options, tourism facilities and activities became more limited.

The sudden closure of the resort meant that the number of visitors to the island dropped dramatically, as indicated by airport figures that show that the number of international visitors to the island dropped by around 65 per cent. The immediate effects of the closure were that there were fewer flights and there were no flights to the north. Although Christmas Island Community Airline now fills the gap, damage has been done to many of the Asian markets. Many Asians lost confidence in the island as a tourism spot and many stopped thinking of the island as a destination that was easily accessible, so the effects of past marketing by the resort of the island's attractions to this region were lost. The island also lost major tourism markets with regard to not only visitors who came to gamble but those tourists who were looking for a more luxurious holiday in facilities such as the five-star facilities offered at the resort. It was also a tourist attraction as it offered, with the casino and the nightclub, the option of nightlife for those visiting the island. It also offered tourists additional dining options. The resort possessed a substantial marketing budget and staff which benefited the whole tourist industry. Now marketing is left to CITA and other members who manage to do what they can with smaller budgets, time constraints and limited marketing knowledge.

Apart from the obvious effects on the community and the economy, the continued closure of the resort is holding back any possible recovery of tourism based on the attractions of the casino. The reopening of the resort and casino would mean an increase in tourism, which would give us additional improvements. Existing air service providers would be able to increase services and to put on larger planes, there would be more tourism based training on the island for islanders and new tourism businesses would be explored and opened, adding to the attractions and the overall quality of the services on offer on Christmas Island.

CHAIRMAN—Thank you very much, Ms Hendren.

Senator GREIG—Perhaps I should ask you the same question I asked an earlier witness on behalf of the diving group. What opportunities, what resources, are available to you particularly

to try and attract international tourism? I do think the island has international possibilities and opportunities that should be sensitively exploited. I am wondering what opportunities you really have to do that. Are they, as I suspect, hindered, as we have heard so much today, by the difficulties with flights to and from the island?

Ms Hendren—Most definitely there is a lack of flights and lack of a bigger plane coming from the north. The cost of flights has always been a problem. They were marginally cheaper when the resort was open because of the increased number of flights. A lot of Asians require that five-star luxury quality. There is good quality accommodation on island at the moment but nothing up to the standard where you have got porters running around after you and a staff of 350 running around after you, swimming pools, on-site restaurants, nightclubs and gambling facilities. It has definitely lost attraction, and we have lost that marketing budget the resort had too.

Senator GREIG—Did you ever receive feedback from those people coming to the island about what other sorts of facilities and opportunities they would like to see here? Do they ever give any indication of what things from their perspective might be more attractive to making the island a place to return to rather than making one visit?

Ms Hendren—Is that since the resort shut?

Senator GREIG—In whatever context you like.

Ms Hendren—Since the resort shut we have been conducting a number of visitor surveys over the last couple of years. A lot of the comments are about lack of nightlife, lack of things to do after they finish diving and nature exploring. So the added attraction of something else to do on island besides the nature based activities that we have got at the moment would definitely mean that people would return.

Senator GREIG—Do you feel that the tourism body or tourism generally on the island caters to a broad enough demographic? Clearly when the casino was operating it was targeting a very specific demographic of visitor. Are there also opportunities to expand if necessary into a more family oriented tourism or niche marketing of backpacking? It would, I suspect, be far too expensive for your average backpacker to fly here at the moment, but if that were to change I suspect this would be one of those unique places to visit that in itself would be a marketing opportunity.

Ms Hendren—The island's uniqueness is something that we do promote. The cost of getting here is definitely a hindrance to most basic type backpackers. At the moment, because there is the lack of facilities for families, that is not something we can readily market. The accommodation offered on island at the moment has one little swimming pool, which is only a recent addition, and not many bigger rooms available for families. From the family point of view, just having the resort there would have meant that they had the space to run around as a family in the area around the pool.

Senator GREIG—Do you have a view as to whether promoting the island to the north, to Indonesia and South-East Asia, is a better prospect than targeting the mainland? If so, why?

Ms Hendren—The cost of airfares of the moment to mainland Australia is a factor. A lot of the Asian destinations, for a lot of the Asians and expats living in Asia, become dangerous. A lot of destinations are spoiled because of the misuse of tourism and the Asians not looking after the destinations. Places like Singapore and the main cities in Asia do not have anywhere for people to go fishing and diving. We are only an hour and a quarter flight from Jakarta, which in relative terms of flying anywhere is pretty good. So there is definitely more of an opportunity coming from the north for us than from mainland Australia. The number of flights is higher during the week and it is much cheaper than from mainland Australia.

Senator GREIG—Is there any realistic opportunity to try and encourage mainlanders to make Christmas Island a kind of stopover on their way either to South-East Asia or through to Europe?

Ms Hendren—Not at the current prices, not without a major airline doing it as part of their route. If that happened, it would open up a whole new ballgame for tourism on the island. A lot of people want to come here, but I do not know if I would pay \$1,600 to get here from Australia.

Senator GREIG—So much of this comes back to the cost of airfares?

Ms Hendren—Most definitely. It always has.

Senator CROSSIN—How much is a flight from here to Jakarta, for example?

Ms Hendren—With taxes it is \$505.

Senator CROSSIN—Is that one way?

Ms Hendren—That is return.

Senator CROSSIN—Do you keep statistics on the number of tourists you get coming through the island on a monthly or yearly basis?

Ms Hendren—Unfortunately, we do not have the number specifically related to tourism. All we do have is the airport statistics that give you the international and domestic numbers that come in. We try to conduct visitor surveys on the tourists that we come into contact with, or our members come into contact with, but only a small number of them will actually fill in the surveys. So we can only really go off the airport statistics.

Senator CROSSIN—The international entrants might be business people though, not particularly tourists?

Ms Hendren—Yes.

Senator CROSSIN—So what are those figures like at the moment compared to, say, 1997?

Ms Hendren—In 1997-98, internationally 9,905 people came through the airport. It was reduced in 1998-99 to 2,644. In 1999-2000, it was 3,482. In the eight months of this year so far, it is 3,182.

Senator CROSSIN—So that is a significant drop from 9,000?

Ms Hendren—It was about 65 per cent.

Mr SNOWDON—What does that translate to in bed nights?

Ms Hendren—Again, I could not actually tell you the numbers.

Mr SNOWDON—How many beds are there on the island?

Ms Hendren—I could get you that information. I did not bring it with me. There are about 360, I think. We would only have a 10 per cent occupancy rate at the moment. Not all of the beds in places like the resort and the lodge are up and running because there is no need for them to be at the moment.

Senator CROSSIN—Are you aware whether the resort is currently doing any sort of marketing?

Ms Hendren—Not that I am aware of. I am sure they are to some degree as most local businesses are. We market on behalf of all our members, and the resort is a member of the tourism association.

Senator CROSSIN—That is all I wanted to ask.

Mr SNOWDON—I want to pursue the number of seats that you have coming into the community. I realise that you do not have the data, but can we try to speculate? How many seats do we have to and from Jakarta weekly?

Ms Hendren—There are 18 seats on the plane, and they travel four times a week on average. So 18 times four would be the number of potential visitors that can visit the island through the community plane.

Mr SNOWDON—It is 72. That is from the north?

Ms Hendren—That is from the north.

Mr SNOWDON—We know that a proportion of them will be people who live on the island, and some will be public servants or business people. We do not know what proportion would be tourists?

Ms Hendren—No.

Mr SNOWDON—Could it be 20 per cent? Just give us a guess.

Ms Hendren—I would not think anyone coming from the north would be public servants. As far as I am aware, they tend to come through Perth. We would probably get more tourists and locals using the north plane rather than the flights from Perth. Not every flight is running full, so 20 per cent would be a fair estimate.

Mr SNOWDON—What is the fare for Perth-Jakarta-Christmas Island?

Ms Hendren—We are not actually a travel agent, so we do not deal with it all the time. We usually refer them on to the travel agents for things like that, but I believe it is about \$1,300.

Mr SNOWDON—So we can go from Perth, to Jakarta and to here, return for \$1,300?

Ms Hendren—Yes.

Mr SNOWDON—But if we fly National Jet, it is going to cost us \$1,800?

Ms Hendren—It is going up to \$1,600 and something in May.

Mr SNOWDON—I understand the point about community airlines, but what discussions has the community airline had, which you are aware of, with the government or others about helping them expand their operation to perhaps get a bigger aeroplane on the route?

Ms Hendren—I do not know anything formally. I know that they approached the minister when he was here and I am sure that they have approached him a number of times to try and get a subsidy to help expand business. However, I would not be able to tell you the number of written or formal applications they have made. I know that some kind of approaches have been made.

Mr SNOWDON—Are you aware of any estimates of how flight patterns might change should the space facility get up and running?

Ms Hendren—I am aware of speculation among many of the members and the people involved that there would be an increase in the number of flights from Australia and from the north which means that airfares would be reduced and there would be the potential to increase tourism from the north.

Mr SNOWDON—Can you give us any idea of what that speculation amounts to?

Ms Hendren—I think most people are thinking of bigger planes from Singapore because that is the closest major international airport to the island.

Mr SNOWDON—Would that be as scheduled flights or as charters?

Ms Hendren—I am sorry, I would not have a clue. I would assume a combination of scheduled flights and charters.

Mr SNOWDON—What is the speculation about who would actually do the flying?

Ms Hendren—There is a lot of speculation, but I would not have a clue. I think everyone would like to see the best people involved.

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

[3.23 p.m.]

OAKLEY, Mr Philip Carlton, Vice President, Christmas Island Chamber of Commerce

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

CHAIRMAN—Welcome. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that evidence be taken in public, but if you wish to give confidential evidence to the committee, you may request that the hearings be held in camera and the committee will consider your particular request. Before I ask any questions, do you wish to make an opening statement?

Mr Oakley—No, we have no secrets, but we would like to read from a prepared statement.

CHAIRMAN—How many pages is that, Mr Oakley?

Mr Oakley—Just over two, and I am quite a quick reader. We have copies available –

CHAIRMAN—You read it at your normal pace.

Mr Oakley—The Christmas Island Chamber of Commerce welcomes the committee to Christmas Island and is appreciative of being given the opportunity to raise a number of issues relating to the committee's mandate. The chamber's submission will focus on part (b) of the Senate resolution of 8 November 2000 relating to '... the outcome of the tender process, the current status of the resort and proposals for the resort's future development ...'

Point 1: by way of introduction, let us commence by saying that the chamber of commerce is satisfied that the correct due processes were followed in both the calling for tenders by the liquidator to sell the asset and the subsequent negotiations with Soft Star Pty Ltd in securing a firm sale.

Point 2: the chamber does have a concern, however, with the ongoing and punitive delay in paying out both creditors and former employees. It is our understanding that the liquidator does have the discretion to make these payments now, particularly given that sale proceeds were received by the liquidator nearly 12 months ago.

Point 3: the chamber understands that the Shire of Christmas Island, an unsecured creditor ranking equally with other unsecured creditors, has been paid out a six-figure sum by the liquidator in full settlement of moneys owing, while nearly all other on-island unsecured creditors have received nothing and are now unlikely to receive anything as a result of the accruing of wages costs and liquidator's fees.

Point 4: the chamber is concerned that the resort has not yet reopened—notwithstanding the low-key bread and breakfast arrangements currently in place—and nor is there any indication

that the resort is likely to reopen in the near future. Further, we understand that no application for a casino licence has been made.

Point 5: the chamber has attempted to ascertain the reasons for the non-opening of the resort. Our view is as follows: (1) that economies of scale do not permit the resort, with a current 156 rooms, to reopen as a resort only, without either a casino licence or alternative additional revenue streams; (2) that at 100 per cent occupancy and a room rate of \$150 per night, revenue received would still fall far short of meeting running costs such as payroll, electricity, water, rates, communications and advertising and that, should provisions and depreciation be brought into the equation, the scenario is even more depressing; (3) that Soft Star Pty Ltd should be given every opportunity and support to enable it to make further capital investment as required to allow it to increase revenue streams to make business viable; (4) that Soft Star Pty Ltd be immediately given freehold title to the property to allow it both to raise the capital at a competitive rate and to provide a lender with the necessary collateral security; and (5) that Soft Star Pty Ltd, or any identified manager/casino operator, be given every support possible in any subsequent application for a casino licence.

Point 6: the chamber also believes that the future of the resort cannot be considered in isolation and that consideration must be given to the economic future of Christmas Island as a whole. The future of the resort is very interlinked to the economic future of the island. When the resort closed in 1998, the population reduced from an estimated 2,600 to a current 1,300 people. There are currently approximately 67 small businesses on Christmas Island, all trying to make a living out of an estimated 340 pay packets. Item 6.1: more than half of these businesses have lost money over the last three years and have only remained on the island because of the hope that the resort will reopen and/or the APSC satellite project will proceed. Item 6.2: if the resort does not reopen and/or the APSC project does not proceed, the chamber forecasts a further decline in population of 400 people within the next 18 months and the near collapse of much of the small business sector built up over the last 10 years. Item 6.3: as long as the resort property physically exists on the island it acts as a disincentive for any other major tourism operator considering investment in the establishment of a similar five-star type complex.

In conclusion, the Chamber of Commerce believes that the future of this island is ultimately in tourism. The phosphate resource on this island has a finite life, and the chamber believes that the island's economy must be able to develop irrespective of whether the APSC projects proceeds or not. The chamber is a strong supporter of both PRL Ltd and the APSC project concept. However, sustainable long-term economic growth will not occur without tourism. We believe that every effort must be provided at all levels to enable the quick reopening of the resort and to enable the island to return to its pattern of sustainable economic growth, as was occurring some four to five years ago.

In relation specifically to the resort, we would like to see the government be proactive in exploring avenues for this facility to reopen. It is insufficient to stand back and say, 'This is a commercial operation and the government has no role to play.' The chamber would like to see Commonwealth approaches made to Soft Star Pty Ltd to negotiate on, define and fast track such issues as: (1) the conditions pertaining to the issuing of a casino licence; (2) the conditions pertaining to taxation, particularly gaming tax rates; and (3) the conditions pertaining to a community benefit fund.

In other parts of remote Australia, state and local government incentives are made available to investors willing to create employment, reduce unemployment, attract foreign income and contribute to the payment of taxes. These mainland benefits should be available to investors in the Indian Ocean territories. Any direct Commonwealth support to the private sector will see an immediate, commensurate reduction in the recurrent Commonwealth funding now necessary to keep this island afloat. We thank you for allowing us to make this submission.

CHAIRMAN—Thank you, Mr Oakley. Do you have any comment, Mr O'Donnell?

Mr O'Donnell—That is the collective expression of the chamber's position. We had a meeting of our executive, and that is the condensation of our position.

CHAIRMAN—We will now go to questions.

Senator CROSSIN—Mr Oakley, in your opening comments you stated that you thought the liquidator did have the discretion to make payments to the creditors. Yesterday morning in Perth we heard that, subject to legal action being taken against a creditor in the High Court by Mr Sumampow, the liquidator now has legal advice that, if he does make those payments and his position is deemed not viable, he is personally liable for those payments, therefore he is reluctant to make them. Were you not aware of this position?

Mr Oakley—No, we are not aware of the finer details. We have made these remarks based on the fact that the precedent has been set in the payment of one unsecured creditor and also wages have been paid in full to at least one other former employee.

Senator CROSSIN—The chamber must then have a number of unsecured creditors amongst its members?

Mr Oakley—We do.

Senator CROSSIN—How many would that be?

Mr Oakley—As an estimate, about 10.

Senator CROSSIN—Was the chamber included at any time in discussions with the liquidator in relation to the tender process and details of the tender?

Mr Oakley—The chamber per se has not been, only the members who have had moneys owing.

Senator CROSSIN—Was the chamber involved at any stage with representatives from the Commonwealth or the liquidator as to what sort of future the resort should have and what involvement the community should have in the future of that resort? Was there any consultation process separate to the tendering process?

Mr Oakley—There was not a consultation process as such; however, the chamber on a number of occasions gave its views to the Commonwealth that it sought a quick sale and a quick reopening of the asset as soon as was practicable.

Senator CROSSIN—What is your view about the fact that it has now been 12 months or so since Soft Star purchased the resort and that nothing has happened in terms of moving to open it as a casino or a fully-fledged resort?

Mr Oakley—It is devastating for the island. As our paper points out, most businesses will not survive much longer. However, we appreciate the situation as it now stands, in that Soft Star is between a rock and a hard place. You could argue that that should have been evaluated before they made the purchase, but we are looking to the future rather than the past. As our notes point out, the property is not a viable proposition as it stands—there is no way they can open it as a resort without a casino licence.

Senator CROSSIN—I know you say they are between a rock and a hard place now, but we have had a lot of evidence that ComsWinfair were in fact wanting to build further accommodation there and had the resources to actually have an air service fly in, fly out. What is your view about this tender process, given that there was a very strong and viable company that might have been able to create all of what you are wanting, as opposed to Soft Star, who you say are now caught between a rock and a hard place?

Mr Oakley—As I am not a creditor and neither is Mr O'Donnell, I believe, I do not think we can comment in due depth on the tender process, because we were not privy to that apart from what is known publicly. Certainly it was a frustrating process—frustratingly long—and it certainly would have been nice to have had a successful tenderer of the quality of someone like ComsWinfair which was able to pay us a reasonable sum for the asset, to have secured and unsecured creditors paid out, and to establish flights to the north.

Senator CROSSIN—Finally, you say that there are no incentives paid to employers on the island in relation to employment, trainees?

Mr Oakley—The point we were making there was more that, if this were a remote part of northern Queensland, I imagine the Queensland government would be down on bended knees and have wooed an investor to come to that remote area to establish or purchase an asset such as we have at the resort.

Senator CROSSIN—Are you suggesting that the Commonwealth did not do all it could possibly do to get an investor in the resort?

Mr Oakley—No, I am not suggesting that.

Senator CROSSIN—Are you suggesting that the Commonwealth government was negligent in that?

Mr Oakley—No, I am not suggesting that the Commonwealth has been negligent; I am suggesting that the Commonwealth could do more in the future in trying to attract investment to this island.

Senator CROSSIN—What sorts of things might you put forward as a proposal?

Mr Oakley—Taxation incentives, allocation of land at no cost for the establishment of new businesses and industries instead of attempting to capitalise on the highest market price as possible and further taxation zone allowances to compensate for the remoteness of the island.

CHAIRMAN—You mentioned the liquidators. What was their aggregated fees, have you any idea?

Mr Oakley—No, I cannot tell you. Neither of us are privy to that information.

CHAIRMAN—Do you think that 12 months is an inordinate amount of time in order to disburse funds from the sale of an asset by a liquidator?

Mr Oakley—It is. I have had 27 years in banking and have worked with this particular liquidator—and from a personal point of view I have a very high regard for his professionalism. It is an extremely frustrating length of time, but I imagine he does have his reasons for not making those disbursements.

CHAIRMAN—What are those reasons?

Mr Oakley—You would have to ask him that, but I believe the ongoing legal challenges are impeding those payments.

CHAIRMAN—So you think those ongoing legal challenges are court challenges which, if adverse to him or to the liquidation, he may then very well have to meet those funds he has paid out personally?

Mr Oakley—Yes, I understand that.

CHAIRMAN—When do you think it is likely that that logjam that prevents the payout of money, particularly to employees, is going to dissipate?

Mr Oakley—I cannot answer that, but I only hope for the sake of the unsecured creditors and former employees that it is as soon as possible.

CHAIRMAN—The mining industry of course is one of the other industries on the island. Are you aware of anything that is inhibiting the expansion or the present production of ore from the island? Do they have enough reserves?

Mr Oakley—The reserves are finite. There are constraints placed on the mine in terms of what areas of the island they are allowed to mine and the methods they can use at those mines, but my understanding is that the mine has accepted that position. I think the mine directors themselves probably appreciate that the term of mining is limited and that they will need to diversify their business.

CHAIRMAN—How many years of delineated reserves of phosphate are there on the island? Are you aware of that? A generic figure would be acceptable.

Mr Oakley—I have heard six years, but that is just a personal observation.

CHAIRMAN—What else is there on the island that could generate employment, other than the resort, the casino and the mine?

Mr Oakley—The island has fantastic geographic opportunities, and it is a pity that you are not here for a further day—perhaps if we can keep this going, we will keep you here for another day.

Senator CROSSIN—Some of us would like that.

Mr Oakley—We are ranked as one of the top five diving sites in the world. World records for deep-sea fishing catches are being set around the island. We have tropical rainforest of a type that is not found anywhere else in the world. We are ranked second only to the Galapagos Islands in terms of the uniqueness of our flora and fauna. We have phenomenal bird life. We have birdwatching groups coming from all parts of the world. There is enormous potential. There are also opportunities for links with Asia, English language schools, specialist medical facilities and cruise vessels. There is a lot that we could do.

CHAIRMAN—What is your opinion of the tendering process? We have heard a lot of evidence that indicates reasonably clearly that it may have been flawed. What is your opinion?

Mr Oakley—My personal opinion is that I was not privy to the discussions earlier today—I have been here only since 2 o'clock. Since I have been here, questions have been raised, and I guess that is why you are here. I do not think that I can comment on whether or not there are flaws in the process.

CHAIRMAN—What percentage of businesses on the island do you and your organisation represent—not in dollar or turnover terms, but what about numbers?

Mr Oakley—I think our current membership is around 45 businesses.

Mr O'Donnell—Yes.

CHAIRMAN—Are they at the top end of the businesses, or are they a wide cross-section of businesses?

Mr Oakley—It is a wide cross-section.

CHAIRMAN—Single partnerships or partners up to, perhaps, some of the—

Mr Oakley—The mine is a member, APSC is a member, the resort is a member, right down to owner-operator businesspeople as members.

CHAIRMAN—Where do you see the island going if the casino does not open?

Mr Oakley—I shudder to think. We really need some stimulus if we are to survive much longer. The APSC project is in the pipeline, as you are probably aware, and the chamber is very supportive of that project and optimistic that it will proceed, but we cannot rely on that. If the casino is not to open, our only way forward is through tourism, and there will need to be incentives for people to come here and make those investments.

Mr SNOWDON—Can I take you for a moment to your first point, where, by way of introduction, you say:

... the correct due processes were followed in both the calling for tenders by the Liquidator to sell the asset, and the subsequent negotiations with Softstar Pty Ltd ...

That might be the case, but it really misses the point, does it not? The last couple of paragraphs of your submission suggest that the Commonwealth approach Soft Star

... to negotiate on, define and fast track such issues as—

the conditions pertaining to the issuing of a Casino License ...

Three points are listed. Are you aware that the sale to Soft Star was unconditional?

Mr Oakley—Yes.

Mr SNOWDON—Are you aware that these issues were some of the conditions which frustrated the process of negotiation between Winfair and the Commonwealth?

Mr Oakley—I understand that. I have learned some of that today.

Mr SNOWDON—If you were a member of ComsWinfair or any other tenderer and you had conditions precedent in your negotiations which were opposed by the Commonwealth and then the Commonwealth went outside that framework and dealt with someone else and then 12 months down the line those conditions precedent become conditions of negotiation with the new owner, do you think you might rightly feel jilted?

Mr Oakley—I think I would feel that way. That might be immoral but I do not know whether it is illegal.

Mr SNOWDON—I am not suggesting it is.

Mr Oakley—I would certainly feel frustrated if I was Coms21—

Mr SNOWDON—One of the issues which confronts us is that, without discussing it with my colleagues, at least on the face of it it appears that the liquidators acted in accordance with the law but there is a startling problem when you see a line of communication which is not consistent. One of the issues which we have got to deal with is how we accommodate the issues to do with freeholding, on which there is a conflict of views on this community, and the fact that

issues to do with the commercial negotiation between the Commonwealth and the potential purchasers were kept private. In other words, there was no consultation or discussion with this community about the issue of freeholding.

Mr Oakley—That is correct.

Mr SNOWDON—We have had submissions this morning from the shire about that issue relating to questions to do with land use planning. It would seem to me that we have got to somehow or other address these questions. I, like you, am frustrated by the fact that the casino and resort is not operating. I believe we have got to try and find some way to stimulate its operation. But I am very reticent to reopen those discussions about the conditions which are precedent to the negotiations which were undertaken by previous tenderers. Could you perhaps tell us what you know of ComsWinfair's proposal in terms of transport operations to and from the island?

Mr Oakley—I did meet at a social function the ComsWinfair representatives when they came. I understand that the group either owns an airline or they have an airline charter service, and if I correct they have planes to Singapore which could have been used or could be used for a service to the island.

Mr SNOWDON—Are you associated with the community airline?

Mr Oakley—I was the founding chairman of the community airline but I am not on the executive now.

Mr SNOWDON—But you are across what it does, effectively.

Mr Oakley—Yes.

Mr SNOWDON—What discussions, if any, has the community airline had with either Softstar or any other tenderers who expressed an interest about the potential for expanding your airline's activity?

Mr Oakley—I was not involved on the executive of the community airline during that process, but I understand there were discussions. Certainly when I was involved with the community airline initially it was utilising an aircraft out of Indonesia, a weekly charter, and we held numbers of discussions with different entities. Some even flew to the island in their planes offering an alternative to the community airline: alternative aircraft, alternative packages.

Mr SNOWDON—In rough terms, what sort of capital did you assess to be required to provide you with the sort of seating capacity that you might use on such a charter operation?

Mr Oakley—These numbers can vary enormously on the type of aircraft that you look at, but I can only say that with regard to the current aircraft we raised approximately \$150,000 to \$160,000 on-island from the sale of \$1,000 shares throughout the community. That was sufficient funding to enable us to enter into a lease agreement with this 18-seater aircraft. To move to a jet prop or a jet plane, suddenly the numbers escalate enormously. I think the resort

was previously planning something like \$750,000 a month for the leasing of a jet aircraft, but Michael Asims would know better about that.

Mr SNOWDON—When you gave us some views about occupancy rates, you said that \$150 per night—at the resort, I assume—would be needed to make that pay.

Mr Oakley—Yes.

Mr SNOWDON—Have you a view about how many beds we would need to fill on a regular basis—including the resort and elsewhere—to make an airline flying to and from Jakarta or Singapore a profitable operation?

Mr Oakley—I believe there are sufficient beds on the island—assuming that they are all open and operating—to cater for several hundred tourists a week. I think the constraints are perhaps more to do with the numbers of tourists that the national park can cater for, rather than to do with accommodation.

Mr SNOWDON—Finally, in the first 12 to 18 months the casino was operating—leaving aside the difficulties with the administration and where we ended up—it provided a massive stimulus to the community, did it not?

Mr Oakley—It did. I personally arrived here in 1996, but it totally changed the economy of the island and the way the island was heading. Until the late 1980s it was basically a mining town. There was no private accommodation on the island. To even come to the island you had to get the permission of the mine, because there would not have been anywhere to stay. There was the government representation, but there was no private business at all, as such. This private business sector has built up—entirely as a result of the opening of the resort in 1993—into something that is quite substantial.

Mr SNOWDON—When they started operation, they obviously had a business plan which they put in place immediately. They purchased the land according to Mr Woodmore's idea, a joint venture was formed, they commenced operation and immediately were profitable.

Mr Oakley—That is right.

Mr SNOWDON—If you had a well-resourced owner, presumably you could be in the same position.

Mr Oakley—Yes. I would imagine so. It would need to be someone with the capital behind them to enable them to do the necessary upgrades, to do the promotions, to lease an aircraft and to bring in the professional management required.

Mr SNOWDON—Are you aware that ComsWinfair were proposing to spend up to about \$27 million on refurbishment and getting the place running?

Mr Oakley—I did not know that, no.

Senator GREIG—If you believe—and I agree with you—that tourism is the key future for Christmas Island, how does the community respond to that in terms of accommodation, leaving aside the argument about the flights for now? There are 150-odd beds available at the resort, I understand. I think Ms Hendren said earlier that there were something like 360 beds in total on the island. Is that adequate to cater for the kinds of numbers that you would need to sustain the economy through tourism? Would there be a need for increased accommodation prospects and is that practical, given the planning and geographical difficulties of the island?

Mr Oakley—With due respect to Ms Hendren, I think her figure may have been a little conservative in the estimate of the numbers of beds. The resort has 156 rooms, and I would assume that they have at least two beds in each one, so the potential there is probably for over 300, just within the resort. My own personal estimate would be somewhere near 500 beds on the island at the moment. One of the interesting things that has happened since the closure of the resort is that new accommodation has developed. I do not know where you are staying now, but you may be staying down at what is known as Sunset Resort, down in the old hospital. Despite the closure of the resort, people have still come up to this island and invested their life savings to try to make a go of it.

Senator GREIG—Over the last year or so, we have seen an initiative from the federal government in terms of encouraging business or ensuring that some of its own departments are located in rural and regional areas to help address unemployment issues and faltering economies in the regions. In particular, I am thinking of call centres which have been located in mainland regions. Is that a prospect for the island? Are there IT or Internet service provider opportunities for the island? Is that too impractical given the geographical isolation, or does that not matter in terms of IT?

Mr Oakley—No, there are superb opportunities on this island which are being realised right now. As of 1 May, the island will have its own first level domain name. For example, Australia has dot.au; Christmas Island was allocated dot.cx in a big divide up about 10 years ago. Cocos Island is dot.cc. A not-for-profit community company has been formed and these opportunities are being realised right now as I said, commencing from 1 May 2001. There are opportunities to generate significant revenues from that stream. We have had an Internet service provider on the island for the last two and half or three years although the user rates are very high in comparison to the mainland.

Senator GREIG—Does your chamber have a view on online gambling?

Mr Oakley—I do not think that it has been an issue, certainly not in recent times.

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

Mr Oakley—We hope that you have the opportunity to see more of the island on your next trip.

CHAIRMAN—We hope so too, Mr Oakley. Thank you very much indeed.

Resolved (on motion by **Mr Snowden**):

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

Committee adjourned at 3.58 p.m.