

**Joint Standing Committee on the National Capital and
External Territories**



**Review of the Annual Reports of the Department of
Transport and Regional Services 2001-02 and the
Department of the Environment and Heritage 2001-02
(Australia's external territories)**

Submission by Phosphate Resources Limited

December 2002

Introduction

Our company, Phosphate Resources Limited, which trades as Christmas Island Phosphates, holds mining leases on Christmas Island from the Commonwealth for the purposes of mining and exporting phosphate.

We would like to address issues that fall into the following broad categories of the Committee's Terms of Reference:

- Economic development;
- Land management; and
- Environment

and we will discuss the issues in this order.

Economic development

The operations of our company are critical to the Island's economy and labour market. In this section we present a brief history of the company's operations and its role in economic development and we provide some insights into the company's future.

Brief history of our company

In late 1987 the Commonwealth closed its Christmas Island mining operations (PMCI) and appointed a liquidator to wind up its operations. When operations ceased the Commonwealth Government pursued an active policy of repatriating the displaced workers. Many Christmas Islanders did not wish to leave but many were forced to do so by economic circumstances. Economic activity on the Island collapsed.

The Union of Christmas Island Workers, led by Gordon Bennett, resolved to explore the options for reopening the mining operations. This struggle involved raising over \$3 million dollars from the Union membership, conducting a detailed feasibility study, negotiating two tender processes, a Federal Court case and months of negotiations with Government. No mining occurred again until 1991 when a consortium of the Union of Christmas Island Workers and Clough Enterprises obtained a lease from the Commonwealth to process phosphate stockpiles. This operation was the progenitor of our company.

Economic contribution

The company has succeeded despite all the odds. Following the abrupt closure of the Commonwealth's mining operations, market confidence in Christmas Island as a phosphate supply source was destroyed. Our company has rebuilt this confidence.

Through initiative, hard work and entrepreneurship we have established a successful export business from what was seen by the Commonwealth as an uneconomic proposition. In 1998 the company won the Business Asia Best Mineral Exporter Award amongst keen competition from Australia's major mineral exporters. Operating on a just-

in-time basis, we have established ourselves as a significant player in South East Asian fertilizer markets. We now control around 50% of the Malaysian phosphate market and we have solid markets in Indonesia, the Philippines and Thailand as well as in New Zealand and the Australian mainland.

We fly the Australian export flag in South East Asia and we have been able to displace suppliers from Jordan, Morocco and China in a competitive market. The company's market position will only be maintained if it is able to offer certainty of supply and product quality.

Table 1 summarises the estimated direct economic benefits of our operations to date

Export revenue	AUS\$360 million
Taxation payments	AUS\$12 million
Mining royalties	AUS\$10 million
Payments for Commonwealth services – port and power	AUS\$17 million
Rehabilitation levy for areas mined by the Commonwealth	AUS\$7 million

Table 1. Direct economic benefits of the company's operations.

Our company workforce during the period of operations has reached 180 individuals. It is currently slightly over 100 strong. We are the major employer on the Island and our operations obviously have strong multiplier effects for the small business economy of the Island. When the Island suffered economic setbacks such as the closure of the Casino, our operations continued and essentially kept the Island's private enterprise economy going.

We regard ourselves as a local company with the interests of the Christmas Island community at heart. Of the 240 shareholders of Phosphate Resources Limited over 81% currently live on Christmas Island. Another 14% of our shareholders are former Island residents. Many of our employees are shareholders in the company.

Future operations

Current resources

In 1998, the company signed a new 21-year mining lease with the Commonwealth. However, the company's resource inventory has been placed under severe pressure from current developments on the Island. The Asia Pacific Space Centre proposal has required the company to surrender or accelerate and curtail the mining of major existing mining lease areas at South Point as part of an agreement to facilitate arrangements for the Space Centre. This has disrupted the company's mining schedules and has had a deleterious impact on the company's ability to blend product to market requirements over time.

The Commonwealth's development of the Immigration Reception and Processing Facility on Christmas Island has required the resumption of an additional area of the company's existing mining lease at North West Point, thus eliminating the substantial resources in this area from the production stream.

On present estimates, current phosphate resources available to the company are now predicted to last for about 5 years.

New lease applications

The company has taken steps to investigate access to future phosphate resources by developing two proposals, one for exploration on vacant Crown land and one for mining at nine discrete sites on Crown land (Environment Australia codes EPBC 2000/43, EPBC 2001/487 respectively). The exploration and mining proposals cover lands on the eastern side of Christmas Island. It has been determined that, for the purposes of the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*, the exploration proposal should be assessed by means of a Public Environment Report and the mining proposal by means of an Environmental Impact Statement. Environment Australia has issued Guidelines for the Draft Environmental Impact Statement for the mining proposal, which we are now giving priority in the interests of the company's future. Figure 1 shows the proposed new mining leases in relation to existing infrastructure on Christmas Island.

The Guidelines for the EIS require the company to research and report on many issues including:

- Potential impacts on threatened plants and animals and their habitats;
- Potential impacts on the marine environment and the Ramsar wetland site at Hosnie's Springs;
- Potential impacts on cultural heritage sites;
- Effects on current and future land uses;
- Effects on the community and the socioeconomic environment of Christmas Island;
- Post-mining rehabilitation; and
- Environmental management and monitoring systems.

The company takes these responsibilities very seriously. The company has engaged a number of specialists to carry out this work and to assist us to put together a draft Environmental Impact Statement. Work currently in hand includes studies in the fields of plant ecology, hydrology and archaeology as well as studies into the role of the company in the Island's economy and the contribution that the company makes to the national economy. This work is expected to cost the company well over AUSS1 million.

Research work on wildlife and faunal habitats in the proposed lease areas is substantially complete and we will refer to some issues raised by that research later in this submission.

The company aims to lodge its Draft Environmental Impact Statement with Environment Australia by July 2003. The document once approved will be released for public comment. At the conclusion of the assessment process set out in the *Environment Protection and Biodiversity Conservation Act 1999* the Minister for the Environment will

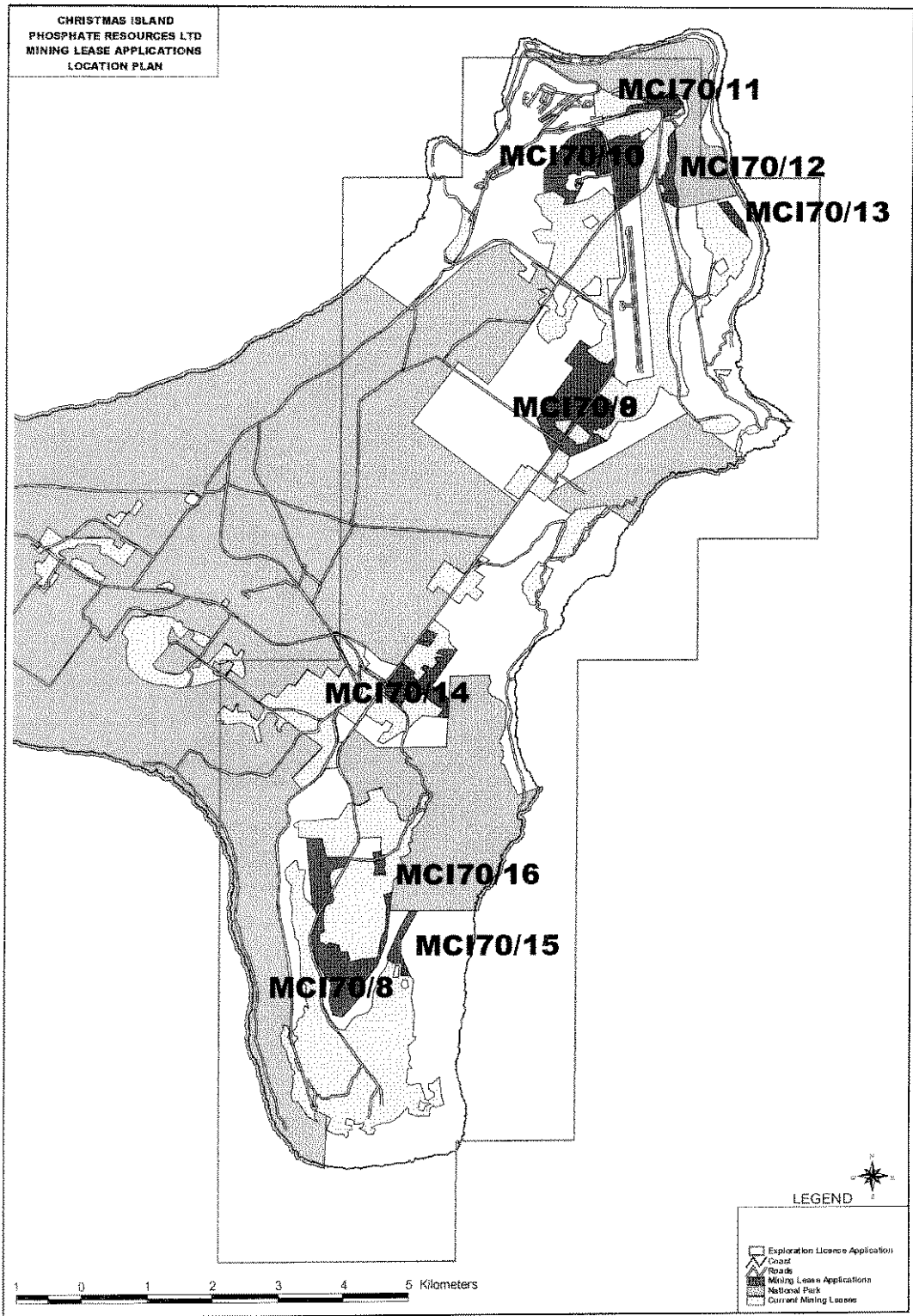


Figure 1. Mining lease applications, Christmas Island Phosphates

make a decision as to whether the mining proposal may proceed and, if so, under what conditions.

The economic benefits that are likely to flow from the new mining proposal are set out in Table 2. These calculations are based on the company's estimates of mineable phosphate in the proposed lease areas, extrapolated from historic drilling data.

Export revenue	AUS\$500 million
Taxation payments	AUS\$16 million
Mining royalties	AUS\$11.7 million
Payments for Commonwealth services – port and power	AUS\$22 million
Rehabilitation levy for areas mined by the Commonwealth	AUS\$7.2 million

Table 2. Estimated economic benefits of the company's proposed mining operations.

The company is confident that it can set out the case for undertaking additional mining without causing long term serious impacts on the environmental values of Christmas Island. If mining is permitted in all or the majority of the nine proposed lease areas, the company should be able to continue its operations for up to fifteen years from the present.

Nevertheless the decision on the project will rest with the Minister for the Environment.

Effects of an early closure of mining operations

It is timely to consider the effects of an early closure of mining operations on the socio-economic environment of Christmas Island. The Committee has been provided with a copy of the Shire of Christmas Island's Strategic Plan, 2002-2006. The company supports the Shire and recognizes its important role as the democratically elected representative body of the Island's community. The company believes that the Shire's strategic document represents a good planning framework for the future of the Island. The Plan envisages that in twenty years time mining operations will have ceased and that the Island's economy will be focused on tourism and service industries.

We believe that it is vital that there is a planned and rational transition to the Island's post mining economy. If the company is obliged to terminate its operations within the next five years this will not be possible. The disruption that will be caused will be similar to the shattering effects of the abrupt closure of the Commonwealth's mining operation in the late 1980's.

Christmas Island is, for most employees of Christmas Island Phosphates, their spiritual home. Some of the company's staff are second and third generation Islanders. Their forbears are buried on the Island and their places of worship, faith and traditions have been developed in the Island's unique environment.

For generations Christmas Islanders worked in oppressive conditions in what was a British and then later an Australian colonial outpost. Now many of our employees are

shareholders in the company that employs them and they regard Christmas Island as their Island.

The company's operations are currently the principal contributor to the Island's economy. As well as being the major employer, the company and its employees use the services of a network of small Island businesses. The company is a major source of apprenticeships and traineeships for young Christmas Islanders.

Job opportunities are very limited on Christmas Island. Population trends show that the loss of any one economic activity has a direct impact on the size of the Island's population. For example, in 1996 the Island's unemployment rate was 7.5%. After the closure of the casino (whose workforce was primarily expatriate), unemployment increased to approximately 20% in 1998. The consequent drop in population from 1800 in 1996 (ABS 1997) to 1500 in 1999 demonstrates the:

- limitations of the Island's labour market;
- impact of the closure of any economic activity on the Island's small business economy; and
- the fact that people are forced from the Island to seek employment when economic activity declines.

The small integrated economy of Christmas Island depends predominantly on two industries, phosphate mining and tourism. The isolation of the Island and the high cost of transport have hampered the development of tourism. For the majority of Christmas Islanders employment is directly or indirectly linked to phosphate mining. Small-scale phosphate mining and its support and ancillary services are the only work that many Christmas Islanders know.

Christmas Islanders welcome investment in the Island but it is far from certain that there will be strong long term employment outcomes for them in the Asia Pacific Space Centre or the Immigration Centre. The Casino project demonstrated that the promise of employment for Christmas Islanders in externally owned and controlled developments is largely hollow and illusory and that much of the employment in projects of this type goes to off-Island workers with specific skills and expertise.

If mining ceases there will be two alternatives for many Christmas Islanders - join the unemployed or leave the Island. Many may also be forced into unemployment on the mainland where there is unlikely to be a requirement for their particular skills. The company's activities and the spending of its workforce are the lifeblood of many small businesses on the Island. Without mining many of these small businesses may fail and there will be other negative effects such as a fall in demand in the Island's freight and communication networks and in the Island's property market.

If the company is able to gain access to limited additional phosphate resources, mining and processing can continue for a period during which the economic base of the Island can be realigned and Christmas Islanders retrained to take advantage of emerging

economic and employment opportunities. In this way the cessation of mining can be managed with limited social and economic disruption. If the company does not gain access to additional resources, significant social, cultural and economic disruption will occur and many of the Island's productive community members may be forced to leave and will become a displaced burden on Australia's economy. In addition the company's hard won export markets will be lost to Australia's competitors in South East Asia.

We think that it is important that agencies that are responsible for the delivery of programs to the Island are aware of the potential effects of an early termination of mining operations.

Land management

The company believes that the approach to land use planning on Christmas Island could be improved. Historically land use decisions on Christmas Island have been taken in an ad hoc manner. In historical times decisions were based on the primary objective of mining the best grades of phosphate ore with little or no regard for environmental, conservation or social outcomes.

Subsequently decisions such as the establishment of the Christmas Island National Park and its two extensions were made in an environment of incomplete data and pressure in the face of the mining program to preserve the habitats of endangered species whose biology and status were only poorly understood.

The closure of mining by the Commonwealth in the late 1980's led to a period of planning confusion. The economic expansion that took place in the 1990's associated with the Casino development and the Commonwealth's rebuilding program put pressure on infrastructure and necessitated short term decisions on land allocation and development. It is clear from the Shire of Christmas Island's submission that this pressure continues with current development proposals.

We note from the Shire's submission to this Committee that the Shire is having difficulty obtaining a new landfill site and that there is a shortage of land for housing and other development.

There have been a number of studies into land use planning on the Island and we note that the Department of Transport and Regional Services and Environment Australia is discussing the conduct of a strategic assessment of activities on the Island in terms of the *Environment Protection and Biodiversity Conservation Act 1999*. It is not clear when this assessment will happen or whether this will assist land use decision-making.

We note that the current Management Plan for Christmas Island National Park observes (at page 38) that the current Park boundaries are in the process of being generally reviewed. We also note that the Management Plan lists two areas of Crown land that are identified as desirable extensions to the Park (Section 16, page 130). A number of the company's current leases lie within these areas.

There are a number of unresolved land use allocation issues evident at the moment. There are areas of vacant Crown land that have obvious biodiversity and tourism values that could be incorporated into the National Park. There are areas of vacant Crown land that could be identified for mining and rehabilitation or another subsequent developmental use. There are areas within current mining leases that may be better suited to other uses. There are cleared areas within the boundaries of the National Park that are known to contain substantial phosphate resources.

We believe that a coordinated approach to land use planning for the Island is needed. It should involve all stakeholders and comprehensive consultation with the community. It should be structured to produce clear and practical outcomes within a limited timetable.

Such outcomes could include:

- a larger and more ecologically effective National Park;
- certainty for the Shire Council for the operation of utilities and other functions;
- certainty of availability of land for residential and development purposes;
- identification of additional areas that could be subject to mining lease applications.

Environment

As part of the development of the draft EIS the company has engaged EWL Sciences to carry out studies into potential impacts on wildlife and habitats arising from the mining proposal. Our company has undertaken to supply all data derived from this and other research to Parks Australia. In addition to surveying the nine proposed mining lease areas, the EWL researchers were able to gather important data on the current island-wide status of several endemic species and the problems caused by exotic fauna, particularly feral cats. Reports on the surveys are currently being prepared but important data are summarised below for the Committee's information.

The Christmas Island Pipistrelle bat's population has declined by 58% since 1994 and is probably still declining. None were recorded in the eastern third of the Island in our recent survey. The reasons for the decline are unknown. The Christmas Island Flying Fox population is very low and may have declined by 90% compared to its 1985 population. The decline appears to have been initially triggered by a cyclone in 1988 that drowned many bats. Since then the population has not recovered, despite abundant food and roost sites, possibly because the reproductive rate of bats is exceeded by the predation rate from humans and feral cats. All populations of native forest reptiles have declined over the past 25 years or so, except the Giant Gecko.

The decline is more likely linked to an increase in the abundance and distribution of exotic predators and competitors, rather than mining activities. The current Island biota comprises only exotic terrestrial mammals, there are more exotic reptile species than native species, and many vagrant predatory birds are steadily multiplying, especially the Nankeen Kestrel.

The highly efficient predator, the feral cat is common throughout the Island and studies of their diet indicate 15 vertebrate species including 10 native birds, mammals and reptiles, as well as invertebrates from more than eight invertebrate Orders. The only record of one native reptile obtained during the recent survey was in the scats of feral cats. There has been some recent community discussion about the possibility of reviewing controls on the import of cats and dogs to the Island. Our studies confirm that feral cats are having a significant impact on the Island's wildlife and any move to facilitate the importation of cats to the Island should be subject to the most rigorous examination and discussion.

Our company will address the wildlife and habitat issues that our mining proposal raises in the draft EIS document. However the Christmas Island biota faces major Island wide issues such as the crazy ant, exotic predators and competitors, weed invasions and other processes that require additional research. The company's technical advisers believe that there needs to be a more integrated approach to all the ecological problems of the island – one that involves all Commonwealth Government agencies and the Shire of Christmas Island, private enterprise land users like our company and the Island community.

If our company's future on the Island can be extended we would be very pleased to be an active partner in such an approach to the island's ecological problems.

Conclusion

Phosphate Resources Limited appreciates the opportunity to raise these issues with the Committee. We would welcome the opportunity to meet the Committee during their Christmas Island visit to answer any questions that Committee members may have. The company is keen to continue to play its part in the present economy of Christmas Island as well as taking a responsible and constructive role in developing the post-mining economy of the Island and contributing to research into and management of the Island's ecological problems.