

## Service provision

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

### Telecommunications

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

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

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

...the Shire and a number of Commonwealth service functions on island [have] recently installed the same asset management and maintenance system. One key feature of this system is the ability

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<sup>1</sup> Shire of Christmas Island, *Submission 2*, p. 4.

to take the management system mobile with a potential to improve delivery of maintenance services and ultimately improve the quality and lifespan of community assets. However the existing mobile phone network simply does not have the capability to support these system features which limits the ability of the system to reach its fullest potential.<sup>2</sup>

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

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

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

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

## **The Department's response**

- 4.6 The Department of Regional Australia noted that Christmas Island has full STD access from the Australian mainland and that the Telstra GSM mobile network operates in Christmas Island. Internet access is provided by the Christmas Island Internet Association, via satellite transmission. The Department stated that the National Broadband Network would be available in the IOTs from 2015 using satellite technology and give the IOT's community access to improved, high-speed broadband.<sup>5</sup>
- 4.7 The Department noted that mobile telephony was a matter for the private sector, and that while the Department would like to see an improved system, it did not agree with the proposition that the current limitation on mobile phone access was damaging tourism.<sup>6</sup>
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2 Shire of Christmas Island, *Submission 2*, p. 4.

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

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

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

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

## Roads

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

## The Department's response

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

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

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

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

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

## Shipping

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

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

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

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

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

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

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

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

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

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

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

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

## The Department's response

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

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

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

4.19 The Department also noted that the:

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

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

## Committee Conclusions

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

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

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

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

service enjoyed by similar sized remote communities on mainland Australia.

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

### **Recommendation 9**

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

### **Recommendation 10**

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

### **Recommendation 11**

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

**Recommendation 12**

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