

The economic environment of the Indian Ocean Territories

Introduction

- 3.1 The economies of the Indian Ocean Territories (IOTs) have developed for different reasons, are economically challenged by their size and isolation and rely on a high level of Government services.
- 3.2 The IOTs physical distance from the mainland and small population, results in the high cost of freight and passenger transport. This in turn serves to inflate the price of all goods and services, acting as a disincentive for business operation and development. Identifying ways to diversify the IOTs economies and lessen reliance on the Government sector would assist the IOTs to move towards achieving economic sustainability.
- 3.3 Phosphate mining is Christmas Island's main source of income. With phosphate mining operations expected to wind down, another sustainable economic driver will need to be identified, established and grown. In contrast, the Cocos (Keeling) Islands economy relies in large part on the Government services sector and a small tourism sector. Developing its tourism sector is one of the Cocos (Keeling) Islands major economic challenges.

A snapshot of the IOTs economies

Christmas Island

- 3.4 Recent Census data places the gross product of Christmas Island at \$71 million per annum.¹ Phosphate mining is the main industry driving the economy and accounts for approximately 34 percent of gross product.²
- 3.5 Phosphate mining directly and indirectly generates approximately 280 full time equivalent jobs which represents 40 percent of the total Christmas Island labour force. On its own phosphate mining contributes approximately \$27 million to the Christmas Island economy annually.³ Small business provides employment for approximately 40 percent of the labour force.
- 3.6 The Government and tourism sectors account for 28 percent of Christmas Island's gross product and are 'another significant source of employment.'⁴ Government services include: administration, health, education, environmental management,⁵ 'welfare, law and order, cultural and recreation services and utilities.'⁶ These services are provided by Commonwealth and Western Australian (WA) Government agencies and the Shire.⁷
- 3.7 The tourism sector has remained in its infancy and is focused on Christmas Island's natural environment, offering activities such as diving and fishing. The tourism industry peaked during 1994 to 1998 when the Christmas Island Casino and Resort was operating. With the closure of the casino in 1997 and later the resort in 1998, between 200 and 250 employees left Christmas Island.⁸
- 3.8 Income levels on Christmas Island are 'relatively high, with 28 percent of the population earning in excess of \$1000 per week' in comparison to WA
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1 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xiii.

2 Attorney-General's Department, *Submission 15*, p. 7.

3 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xiii.

4 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

5 Attorney-General's Department, *Submission 15*, p. 7.

6 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

7 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

8 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

which sits at 20 percent for this income level. There is a low level of unemployment on Christmas Island with most employment opportunities arising from phosphate mining and construction.⁹

- 3.9 Due to its small size and heavy reliance on phosphate mining any impact on this industry directly flows through to the wider economy. Similarly, large scale local construction projects have had the same effect. Such projects have 'tended to maintain the Christmas Island economy, but through a boom-bust cycle.'¹⁰

Cocos (Keeling) Islands

- 3.10 The gross product of the Cocos (Keeling) Islands relies on a services industry consisting of Government and tourism services and is estimated to provide returns of \$15 million per annum.¹¹
- 3.11 The unemployment rate on the Cocos (Keeling) Islands is around 8 percent with the unemployment rate on Home Island being much higher than that on West Island.¹²
- 3.12 The main sources of employment on the Cocos (Keeling) Islands are provided by the Government, the Shire Council, the Cocos Islands Co-Operative Society (CICS) and a range of small businesses.¹³ CICS manages the supermarkets on Home and West Islands and some tourism services such as a motel, restaurant and duty-free shop.¹⁴ On behalf of the Government, CICS also manages the public transport service. The small business sector includes a large construction and maintenance company and a number of businesses supporting the tourism industry.¹⁵ In contrast to the greater level of unemployment on Home Island, there is often a shortage of skilled workers or tradespeople available to fill vacancies on West Island.¹⁶
- 3.13 The Cocos (Keeling) Islands tourism sector is very small and is subject to some capacity constraints. The Commonwealth Grants Commission noted

9 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xv.

10 Attorney-General's Department, *Submission 15*, p. 7.

11 Attorney-General's Department, *Submission 15*, p. 8.

12 Attorney-General's Department, *Submission 15*, p. 8; Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 9.

13 Attorney-General's Department, *Submission 15*, p. 8; Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 11.

14 The Cocos (Keeling) Islands Cooperative Society, viewed 30 November 2009, <www.cocoscoop.com>.

15 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 11.

16 Attorney-General's Department, *Submission 15*, p. 8.

the potential of the tourism sector 'is seriously constrained by a number of factors', one of which is that 'the approximately 100 tourism beds are booked to capacity for much of the year.'¹⁷

- 3.14 The Shire of Cocos (Keeling) Islands is currently preparing the Vision 2010 strategic document which looks at improving youth employment on the Cocos (Keeling) Islands.¹⁸
- 3.15 The economy and population of the Cocos (Keeling) Islands is significantly smaller than that of Christmas Island and, as its nearest jurisdictional neighbour, relies on it 'through critical links such as health services and air and sea transport.'¹⁹
- 3.16 The Cocos (Keeling) Islands have access to regular visits by a medical practitioner, specialists and a dentist. In circumstances where these services are unavailable, a person would go to either Christmas Island or Perth for treatment. The community predominantly cares for its aged population within the family structure.²⁰

Phosphate mining on Christmas Island

A brief history

- 3.17 Phosphate mining commenced on Christmas Island in 1897 when the British Government²¹ granted a 99 year mining lease to the Christmas Island Phosphate Company Limited.²² In 1900, the first shipment of phosphate left Christmas Island.²³
- 3.18 Until the 1930s, the mining workforce was recruited mainly from the Cocos (Keeling) Islands and China. As a consequence of poor financial circumstances, long distances and political upheavals in their country of origin, many Chinese workers remained on Christmas Island. The largest recruitment of Cocos Malay workers occurred from 1948 to 1959 due to

17 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 10.

18 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 9.

19 Attorney-General's Department, *Submission 15*, p. 8.

20 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T7*, p. 10.

21 The United Kingdom of Great Britain annexed Christmas Island in 1888. Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 1.

22 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 1.

23 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 1.

increased population pressures on the Cocos (Keeling) Islands. Following this period, workers were recruited from Malaysia and Singapore.²⁴

- 3.19 In 1926 and 1939, to ensure an affordable supply of fertiliser for their agricultural industries, the Australian and New Zealand Governments made attempts to purchase the phosphate mining company. These discussions were thwarted firstly by the Great Depression and later as a result of the occupation of Christmas Island by Japanese forces during the Second World War. Together these events reduced the profitability of the Christmas Island Phosphate Company.²⁵
- 3.20 As a consequence of its growing economic inefficiency, in 1948, the Christmas Island Phosphate Company was sold to the Australian and New Zealand Governments.²⁶
- 3.21 In 1987, when high grade ore had run out, the mine was closed. In 1990, phosphate mining was resumed by a private company – Phosphate Resources Limited, trading as Christmas Island Phosphates (CIP).²⁷
- 3.22 CIP’s existing mining lease ceases in 2019 with enough product available at existing mine sites to supply phosphate at its present demand level for the next five years. In an attempt to extend mining operations, CIP has applied for additional mining leases of 256 hectares, separated into eight separate blocks (outside of the national park), covering 1.8 per cent of the area of Christmas Island.²⁸ As these lease applications have environmental implications, they are currently being considered by the Minister for the Environment.²⁹

Economic, social and environmental impact of phosphate mining

- 3.23 Phosphate mining has been Christmas Island’s main source of employment and income for over a century. CIP has remained the only company engaged in phosphate mining activities on Christmas Island. The price that CIP is able to sell its product for is determined by the world

24 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, pp 4-5.

25 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, pp 2-3.

26 Waters, L, 1983, *The Union of Christmas Island Workers*, Allen and Unwin, St Leonards, p. 3.

27 Joint Standing Committee on the National Capital and External Territories, May 2006, *Current and Future Governance arrangements in the Indian Ocean Territories*, Parliament of the Commonwealth of Australia, Canberra, p. 8; Joint Standing Committee on the National Capital and External Territories, February 2005, *Delivering the Goods*, Parliament of the Commonwealth of Australia, Canberra, p. 18.

28 Christmas Island Phosphates, *Submission 6*, p. 1.

29 Phosphate Resources Ltd., Mr Clive Brown, *Transcript T5*, 28 September 2009, p. 29.

phosphate market. CIP's main customers are: the mainland, New Zealand, Malaysia, Indonesia and Thailand.³⁰

- 3.24 More recently, due to conditions created by the global financial crisis, there has been a reduction in CIP's customer base. At the start of 2009, this resulted in a six week close down period of the phosphate mine.³¹
- 3.25 As the primary driver of the Christmas Island economy, phosphate mining activities have spurred the development of complementary industries within the Christmas Island economy. These include: the services, construction, and public administration and defence industries.³²
- 3.26 Phosphate mining's direct financial impact on the Christmas Island economy comprises:
- \$17 million in company tax
 - \$4.9 million in income tax paid on employee wages and bonuses
 - \$3.2 million in phosphate royalties
 - \$1.3 million for a rehabilitation levy
 - \$260 000 in fringe benefits tax
 - \$140 000 in local government rates
 - \$24 000 for rental of the mining lease
 - \$200 000 community donations
 - \$250 000 sponsorships.³³
- 3.27 The phosphate mining industry has also provided an economic base from which the Christmas Island population has been able to develop and expand and so has become an integral part of the social and cultural identity of Christmas Island.
- 3.28 CIP employees contribute to the local community through service to the State Emergency Service, Fire Brigade, Ambulance Service and as shire councillors. CIP also provides 38 hours per year of paid leave to employees who attend community related meetings or for training purposes for employees engaged in community activities.³⁴

30 Christmas Island Phosphates, *Submission 6*, Appendix A, p. 27.

31 Attorney-General's Department, *Submission 15*, p. 7.

32 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xvii.

33 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xix.

34 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xix.

- 3.29 As part of its current mining lease and in addressing the environmental impact of phosphate mining, CIP pays a rehabilitation levy (currently \$1.3 million per annum) to the Government. Parks Australia manages the national park areas of Christmas Island and uses proceeds from the levy imposed on CIP to implement revegetation programs which rehabilitate former mine sites to rainforest.³⁵
- 3.30 In regard to its application for new mining leases and in addition to the rehabilitation levy, CIP has indicated that it will donate \$5 million and an additional amount per tonne of phosphate mined for the conservation of threatened species or pest eradication on Christmas Island.³⁶ CIP stated:
- Basically, the conservation levy that we pay out to Parks Australia at the moment will continue with the new leases. So we are going to rehabilitate the mine sites. In addition, if we get the new leases, we will continue to contribute the conservation levy that we pay out currently to Parks Australia to do rehabilitation work. On top of that, we are coming up with \$5 million initially plus about \$1 million a year for environmental solutions for Christmas Island, which may be to save the pipistrelle bat or to remove the feral cats, for example.³⁷

Phosphate mining life span and future options

- 3.31 In April 2007, the previous Government announced that there would be no new grants approved that would expand mining on the Island.³⁸
- 3.32 With the expiry of the current mine lease and if no new mining leases are granted, phosphate mining on Christmas Island will cease by 2019. However, if the additional mining leases that were recently applied for are granted, mining would cease by 2024 (15 years).³⁹ Without the new leases being granted, and as a result of diminishing phosphate, CIP has indicated phosphate mining on Christmas Island is expected to cease within 5 years.⁴⁰

35 Parks Australia, Mr Peter Cochrane, *Transcript T2*, p. 3.

36 Phosphate Resources Ltd., Mr Clive Brown, *Transcript T5*, p. 32.

37 Phosphate Resources Ltd., Mr Alfred (Wah Mun) Chong, *Transcript T5*, 28 September 2009, p. 32.

38 Commonwealth Grants Commission, 2007, *Report on Indian Ocean Territories*, CGC, Canberra, p. 9.

39 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xxi.

40 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xxi.

- 3.33 CIP advised that without the phosphate mining industry and with no alternative industry to bolster the economy, Christmas Island would face a significant economic down turn.⁴¹
- 3.34 The Attorney-General's Department (AGD) has acknowledged that the closure of the Christmas Island phosphate mine would 'result in ... the decrease in size of the local economy.'⁴²
- 3.35 Further, CIP has stated 'if there is to be an orderly transition to an alternative economy without significant cost to the Commonwealth, the Island's only proven, industry, phosphate mining, must continue.'⁴³
- 3.36 CIP advocated that an alternative to phosphate mining needs to be found and transition from one industry to another will take time, effort and financial investment. CIP has suggested that Christmas Island's current emerging eco-tourism industry could be further developed until phosphate mining draws to a close, but that an additional ten to fifteen years would be required for this transition to adequately take place.
- 3.37 CIP indicated 'early mining activity has left long-lasting damage to some of the island's topography'⁴⁴ with more recent mining activity confined to specific areas.⁴⁵ However, unlike the previous environmental degradation caused by mining activities, current activities provide 'support for expanding the very small tourism sector through revenues, salaries and company goodwill for protecting and recovering the Island's unique ecology.'⁴⁶
- 3.38 Dr Nic Dunlop offered a different point of view from CIP and stated:

... there is no future for Christmas Island in mining as it will destroy the island's major asset, its environment. Current operations continue to negate tourism because operations produce constant dust emissions (making everything grubby), anti-social and dangerous road haulage and the evidence that the island's asset (its environment) is constantly being degraded.⁴⁷
- 3.39 The Christmas Island Chamber of Commerce (CICC) stated while it had some reservations about the phosphate mine's activities regarding the
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41 Christmas Island Phosphates, *Submission 6*, Appendix A, p. xxii.

42 Attorney-General's Department, *Submission 15*, p. 7.

43 Christmas Island Phosphates, *Submission 6*, p. 4.

44 Christmas Island Phosphates, *Submission 6*, p. 4.

45 Christmas Island Phosphates, *Submission 6*, p. 4.

46 Christmas Island Phosphates, *Submission 6*, p. 4.

47 Ms Dee Margets and Dr Nic Dunlop, *Submission 10*, p. 2.

clearing of primary rainforest 'as far as the mine is concerned, ... if there is no mine, there is no economy, there is no tourism and there is no alternative economy at all.'⁴⁸

- 3.40 AGD reiterated that the economic fate of Christmas Island's economy is linked to the phosphate commodity market as recent close down periods due to temporary depressions in the phosphate market demonstrate.⁴⁹
- 3.41 Based on what occurred when the previous phosphate mine closed from 1989 to 1991, it is likely the majority of mine employees will leave Christmas Island if the mine closes again. The flow on effects would be felt throughout the Christmas Island economy and because of air and sea transport service links through to the Cocos (Keeling) Islands economy. In particular:

Without demand from the mine, mine employees and their families, and the businesses and population that support the mine, there will be a reduced demand for air and sea transport to Christmas Island which will affect the economy of the Cocos (Keeling) Islands.⁵⁰

- 3.42 The AGD sponsored report on *The economy of the Indian Ocean Territories* found phosphate mining would need to cease altogether before diversification of the economy could be attempted through expansion of the tourism sector. In addition, significant investment would be required for infrastructure, tourism marketing and promotion, and improving flight frequency and affordability. The ACIL Tasman report noted:

Economic diversification on Christmas Island is likely to be based on the tourism sector. However, successful expansion of tourism will be extremely difficult while there is an operating mine on the island. While planning and investment can take place well in advance of mine closure, actual significant expansion of the sector is likely to be possible only post mine closure and will require significant investment to: increase the quality of the products offered; expand the range of activities available; invest in tourist facility infrastructure; develop a service culture; invest further in

48 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T 4*, p. 42.

49 Attorney-General's Department, *Submission 15*, p. 7.

50 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 95.

promotion and marketing; and encourage more appropriate flight links and more competitive flight pricing.⁵¹

- 3.43 However, while diversification of the economy will be of benefit into the longer term, in regard to assisting in providing an acceptable level of employment, in the short term it is unlikely to provide 'employment opportunities for the specific individuals displaced in the mining sector.'⁵²

Conclusions

- 3.44 The economic and social structures which have developed on Christmas Island over the last century are a result of its phosphate resources and subsequent mining activities. Phosphate mining will cease on Christmas Island within the next five to fifteen years with the exact timeframe dependent on whether new mining leases can be secured and whether at the very least, demand for phosphate continues at its present level. Closure of the Christmas Island phosphate mine would have immediate negative implications for its employees and create a significant down turn in the economy.
- 3.45 The present volatility of the world phosphate market has resulted in Christmas Island Phosphates suspending its mining activities for periods of time, with future mine closures expected, reflecting the possible overall emerging trend in the decline in demand for phosphate. The volatility of the phosphate market has meant periods of short term down turns for Christmas Island's economy. Christmas Island experienced similar economic outcomes during and after large-scale construction projects.
- 3.46 While large bursts of construction activity have temporary positive outcomes for the local economy, these activities are unpredictable and so unsustainable, leaving the economy susceptible to sharp boom-bust cycles.
- 3.47 Previous committee reports have highlighted the issue of the negative economic impact of mine closure on the Christmas Island economy. With mine closure expected in the short to medium term, planning for the possible consequences of the mine's closure could assist in offsetting either wholly or partially the negative impact of mine closure on the Christmas Island economy.

51 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. xi.

52 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. x.

- 3.48 As volatility of the Christmas Island economy is mainly attributable to its primary reliance on one industry which in the long term is unsustainable, creating incentives for diversification of the economy is required. Further, the timeframe for transition to an alternative sustainable industry or industries needs to be explored without delay.
- 3.49 There is support for expansion of the tourism industry to offset the negative economic impact of the closure of the phosphate mine. The committee believes the Shire of Christmas Island, in cooperation with relevant stakeholders include expansion of the local tourism industry in any economic diversification strategy considered.

Recommendation 1

- 3.50 The committee recommends that the Shire of Christmas Island in partnership with the Christmas Island community and relevant stakeholders examine ways to diversify the local economy, with a focus on developing tourism as part of its economic strategy in response to the possible permanent closure of the Christmas Island phosphate mine.**

In addition, the Attorney-General's Department should provide adequate funding for secretariat support to the Shire for this purpose.

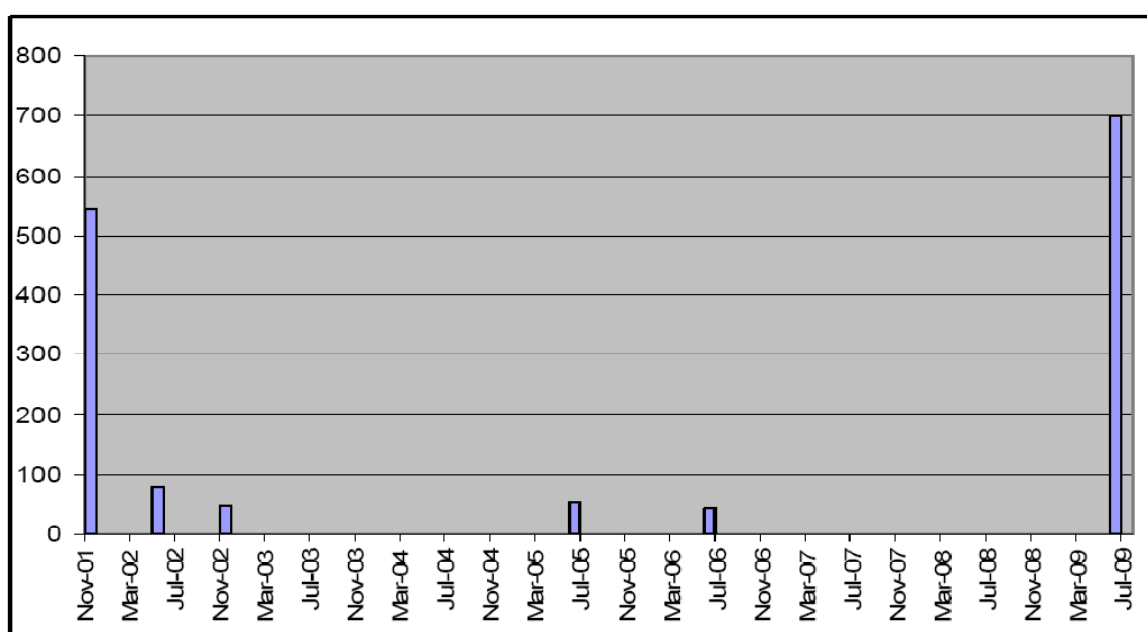
Christmas Island Immigration Reception and Processing Centre

- 3.51 The Department of Immigration and Citizenship (DIAC) manages the Christmas Island Reception and Processing Centre (CIRPC) and has maintained a presence on Christmas Island since 2001. The CIRPC is an immigration detention facility which undertakes screening activities for unauthorised maritime arrivals to Australia.
- 3.52 DIAC operates three immigration detention facilities on Christmas Island:
- North West Point - opened in December 2008, accommodates single men
 - Phosphate Hill - the original immigration detention centre

- Construction Camp – an alternative place of detention, used to accommodate women, children, family groups with children and vulnerable groups.⁵³

3.53 Although DIAC has had a sustained presence on Christmas Island since 2001, its level of activity is created through irregular illegal maritime arrivals which have fluctuated over time as indicated in Figure 3.1.⁵⁴

Figure 3.1 Activity related to operation of the Christmas Island Immigration Reception and Processing Centre over the period 2001 to 2009



Source Department of Immigration and Citizenship, *Submission 22*, p. 1.

3.54 In addition to DIAC staff and contracted service providers, there are a number of other Government and Non Government Organisations (NGOs) involved in providing immigration detention associated services. These are: Australian Customs, the Australian Federal Police and AGD. NGOs assisting are: Life Without Barriers, Australian Red Cross, the Forum of Australian Services for Survivors of Torture and Trauma, and the International Health Medical Services. Staff 'are often based on Christmas Island for semi permanent periods eg. 3 or 6 months'. Some staff may also be on shorter contracts.⁵⁵

53 Department of Immigration and Citizenship, *Submission 22*, p. 2.

54 Department of Immigration and Citizenship, *Submission 22*, p. 1.

55 Department of Immigration and Citizenship, *Submission 22*, p. 2.

- 3.55 The committee heard a range of views about the economic impact of DIAC's activities on Christmas Island. DIAC drew attention to the economic impact its construction and ongoing management of immigration is having. Other views received highlight some of the issues inherent in the Christmas Island economy and the direct and indirect economic impact the operation of the CIRPC is having.
- 3.56 AGD suggested the construction of the CIRPC and more recently the increased activity associated with 'immigration detention and screening activities for unauthorised' maritime arrivals has had a positive impact on Christmas Island's economy.⁵⁶
- 3.57 DIAC stated its previous construction activities on Christmas Island were tendered 'on the open market and involved mainland companies.'⁵⁷ Using this method created 'an influx of skilled workers as well as additional work for local tradespeople.'⁵⁸
- 3.58 However, DIAC acknowledged its construction activities have had a temporary effect on the economy and not assisted in further developing the Christmas Island construction or hospitality sectors. DIAC found:

During the construction of North West Point the contractor maximised use of local businesses and resources involving flights, cranes and earthwork. They also established construction packages to suit local business capacities and provided on the job training for local individuals. In addition all flights to and from the mainland, including charter flights were procured through the local travel agency and airline. It is worth noting that despite this work there has been no evident or discernable lasting expansion of the local building sector, such as [an] increase in the number of trade contractors, private building activity or significant growth in hospitality infrastructure.⁵⁹

- 3.59 The Shire of Christmas Island attributed the recent doubling in rent prices on Christmas Island to the increase in demand for accommodation generated by an increased presence of DIAC staff and contractors. The Shire of Christmas Island stated:

There have been a range of rental increases but in single-bedroom units in Settlement the rent has doubled in recent months. People

56 Attorney-General's Department, *Submission 15*, pp 7-8.

57 Department of Immigration and Citizenship, *Submission 22*, pp 2-3.

58 Department of Immigration and Citizenship, *Submission 22*, pp 2-3.

59 Department of Immigration and Citizenship, *Submission 22*, p. 3.

who are coming out of a lease are being faced with either moving or doubling their rent. That is not happening to everyone but there is certainly a group of houses down there where that occurred. In 2002, I had a similar experience, the rent I was paying on a family house was \$320 a week; they wanted \$480. I ended up buying a house. Other people are thinking the same way here but there is a shortage of houses. The department's activities are having a huge impact on rentals. I do not know what the outcome will be on purchase prices, but they seem to be on the rise.⁶⁰

- 3.60 The Shire of Christmas Island stated that it is widely believed in the community that the increase in rents is attributable to the increase in DIAC related activities. The Shire Council stated:

The causes of the paid increases in rents that have occurred this year are commonly attributed to the rapid increase in demand from the Department of Immigration and Citizenship staff and contractors who have come to Christmas Island to work with asylum-seekers who began to arrive in October 2008.⁶¹

- 3.61 DIAC stated 'the bulk of departmental staff, NGO staff and contractor staff use Departmental accommodation. Some additional accommodation is sourced through rental properties and a wing of the Christmas Island Lodge.'⁶²

- 3.62 In addition, some illegal maritime arrivals (unaccompanied minors and families) are accommodated within the community 'in departmental owned accommodation through community detention arrangements.'⁶³

- 3.63 The increase in the price of food was highlighted as a broad issue and more specifically in regard to supplying the CIRPC. Ms Charlene Thompson stated that it was speculated within the community that the cost of food had increased as a result of DIAC activity. However, Ms Charlene Thompson also stated the higher prices could not definitively be attributed to the operation of the CIRPC. Ms Charlene Thompson stated:

Unfortunately, in this community blame is easy to mete out and I think some members of our community think that the current higher prices of food are due to asylum seekers eating it. Somebody is going to make profit out of this. I do not really know

60 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 17.

61 Shire of Christmas Island, *Submission 24*, p. 11.

62 Department of Immigration and Citizenship, *Submission 22*, p. 4.

63 Department of Immigration and Citizenship, *Submission 22*, p. 2.

who is making the profit or why, but food costs on this island have accelerated hugely in the last nine months.⁶⁴

- 3.64 DIAC advised it is conscious of its impact on the local community and operates to ensure that 'adequate goods and services are available for the local community and has always sought to balance [DIAC's] activities with the requirements of the community (ie. avoid buying out the local shops).'⁶⁵
- 3.65 In addition, 'people in community detention are supported by Red Cross who provide for the needs of this group. The bulk of the day to day expenditure is food and general living which is purchased direct from local suppliers.'⁶⁶
- 3.66 In terms of future food supply DIAC noted that reliance on the 'local Christmas Island economy to provide for people in immigration detention has declined over time.' DIAC added, 'the current catering contractor air-freights large quantities of perishable foods from Perth via Jakarta then to the Island.'⁶⁷
- 3.67 DIAC's newly engaged food contractor is in discussions with the local hydroponics farm to supply perishable items. DIAC stated 'this would be a boost to the local economy and should also save costs.'⁶⁸
- 3.68 Further, DIAC operates occasional charter flights between Perth and Christmas Island to support its detention and processing activities on Christmas Island. Two additional services have been in operation since mid 2009. They are offered on Wednesdays and Saturdays to cater for DIAC's increased demands. DIAC has made spare freight capacity on its chartered flights available to the Christmas Island community to assist with the delivery of fresh produce and mail. However, this service is subject to DIAC's operational demand and may not be available in the future.⁶⁹
- 3.69 The Christmas Island Tourism Association (CITA) raised the issue of the impact on hire car availability as a result of DIAC's increased presence on Christmas Island and stated:

64 Ms Charlene Thompson, *Transcript T4*, p. 54.

65 Department of Immigration and Citizenship, *Submission 22*, p. 4.

66 Department of Immigration and Citizenship, *Submission 22*, p. 4.

67 Department of Immigration and Citizenship, *Submission 22*, p. 4.

68 Department of Immigration and Citizenship, *Submission 22*, p. 4.

69 Attorney-General's Department, *Submission 15*, p. 16.

We have a lack of ground transport on the island. We have a limited supply of hire cars and the small supply that we do have is now taken up by the Department of Immigration and Citizenship and their associated agencies.⁷⁰

- 3.70 In response to its impact on the hire car sector, DIAC advised it has taken measures to address the issue of under supply and stated:

The Department is conscious of the limited car hire resources and as such has arranged for cars and mini-buses to be brought over from the mainland. Other contractors however have leased a number of vehicles from local car hire companies.⁷¹

- 3.71 DIAC noted its positive impact in other areas of the Christmas Island economy such as education, community events, the provision of information technology infrastructure, providing local employment and the use of local services for people in community detention.⁷²

- 3.72 In addition, DIAC has established the Christmas Island Community Consultative Group which meets monthly. The consultative group 'provides an opportunity to explore and consider issues relating to the range of services, activities and welfare opportunities available to people in immigration detention'.⁷³ The group also serves to 'foster communication and consultation between the Department, the Detention Services Provider and local community support/service providers.'⁷⁴

- 3.73 In regard to the positive economic impact the operation of the CIRPC is having on the Christmas Island economy, Ms Charlene Thompson stated:

I think there has been an overwhelming positive response to the fact that DIAC has put in some permanent staff here. That is good for our island economy as well as the community. It gives a sense of stability and sustainability.⁷⁵

- 3.74 DIAC advised 'there has been no economic modelling work undertaken' on the impact on the local economy of the operation of the CIRPC.⁷⁶

70 Christmas Island Tourism Association, Mr Michael Asims, *Transcript T4*, p. 78.

71 Department of Immigration and Citizenship, *Submission 22*, p. 4.

72 Department of Immigration and Citizenship, *Submission 22*, pp 3-5.

73 Department of Immigration and Citizenship, *Submission 22*, p. 5.

74 Department of Immigration and Citizenship, *Submission 22*, p. 5.

75 Ms Charlene Thompson, *Transcript T4*, p. 53.

76 Department of Immigration and Citizenship, *Submission 22.1*, p. 2.

Further DIAC added, averaged over time, the impact of its activities since has been low, despite 'the high activity peaks in 2001 and 2009.'⁷⁷

- 3.75 DIAC stated its greatest impact on the economy was in providing local employment in the ongoing facility management area, but that as the number of people in detention falls, 'contractors will need to manage costs by reducing labour.'⁷⁸
- 3.76 The main ongoing economic challenges facing the management of immigration activities on Christmas Island are:
- air transport – commercial flights are often booked to capacity requiring the arrangement of charter flights
 - transport (on Island) – there is limited public transport and vehicle hire is one of the largest operating costs encountered. In addition, increased traffic on roads causes deterioration of roads
 - freight – procurement of food and supplies are a major component of operating expenses
 - accommodation – provision of suitable accommodation for staff and people in community detention
 - efficient use of DIAC and contractor staff – for processing of irregular maritime arrivals.⁷⁹
- 3.77 In early December 2009, in response to the increases in the number of illegal maritime arrivals, DIAC announced it would reconfigure its existing detention accommodation and also install demountable buildings, increasing its overall bed capacity from 1088 to 2200 by March 2010.⁸⁰

Conclusions

- 3.78 The committee supports actions by the Department of Immigration and Citizenship (DIAC) and other Government and Non Government Organisations to engage contractors and businesses of the Indian Ocean Territories to supply goods and services for the Christmas Island Reception and Processing Centre (CIRPC).

77 Department of Immigration and Citizenship, *Submission 22*, p. 7.

78 Department of Immigration and Citizenship, *Submission 22*, p. 7.

79 Department of Immigration and Citizenship, *Submission 22*, p. 6.

80 Department of Immigration and Citizenship, *Increased capacity on Christmas Island*, media release, Canberra, 1 December 2009.

- 3.79 Establishment of the Christmas Island Community Consultation Group supports continued dialogue between DIAC and the Christmas Island community, assists with engaging local labour, and encourages the purchase of local produce for CIRPC related activities where possible.
- 3.80 While the Christmas Island community welcomes the positive economic impact of CIRPC activities, there is speculation within the local community that the recent doubling of the price of rental accommodation and the high increases in food products is directly attributable to the significant increase in DIAC staff and contractors.
- 3.81 Quantifying the economic impact of DIAC and related agencies activities is required to identify the possible causes of the general price increases on Christmas Island with a view to identifying ways to counteract causes, where possible, into the future.
- 3.82 Therefore, the committee suggests that economic modelling be undertaken to determine the impact of CIRPC's operations on the Christmas Island economy, including the impact on the housing market, and the price and availability of goods and services.

Recommendation 2

- 3.83 **The committee recommends the Government provide funding for economic modelling to be undertaken on the impact on the Christmas Island economy of activities associated with the operation of the Christmas Island Immigration Reception and Processing Centre and make this information available in a public report.**

Fostering economic development

Economic challenges facing business

- 3.84 The economic challenges facing the IOTs economies are predominantly due to their physical remoteness and isolation. The high cost of sea and air freight and the limited accessibility by air services has meant that there are financial barriers to establishing and managing a business on the IOTs.
- 3.85 In addition to the issues faced as a result of size and isolation, a number of issues which stifle business activity for the IOTs are discussed in this and the remaining three chapters.

Christmas Island

- 3.86 On Christmas Island, 78 properties are listed as providing commercial services, one other is listed as a casino, four are mining dwellings and 21 are industrial properties.⁸¹
- 3.87 The main issues identified as restricting business operation and development are:
- the high cost of air and sea freight or shipping which contributes to the high cost of goods and services⁸²
 - the high cost of air transport⁸³
 - established monopolies within the economy⁸⁴
 - holding any company dealing with Christmas Island accountable⁸⁵
 - long delays in receiving payment for services and products provided to Government agencies⁸⁶
 - limited tourism infrastructure⁸⁷

81 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 51.

82 Mr Kerry Walker, *Submission 1*, p. 1; Mr John Sorensen, *Submission 2*, p. 3; Shire of Christmas Island, *Submission 24*, p. 5.

83 Dr Nic Dunlop, *Submission 10*, p. 2.

84 Christmas Island Tourism Association, *Transcript T4*, p. 79.

85 Mr Kerry Walker, *Submission 1*, p. 1.

86 Ms Charlene Thompson, *Submission 14*, p. 4.

- limited strategic direction for the Island⁸⁸
- limited availability of qualified tradespeople⁸⁹
- the changing demographic⁹⁰
- no land release or development plans.⁹¹

3.88 The Christmas Island Chamber of Commerce (CICC) suggested the following further issues are challenges facing businesses on Christmas Island:

- heritage considerations – either through a lack of recognition of heritage boundaries within the planning process or local administration of the heritage guidelines
- absence of a land planning scheme – Eg. limited amount of land has been made available for commercial development
- local transport requires planning
- the application of an unsuitable building code – Eg. the WA building codes have been applied, but are not suited to Christmas Island’s physical environment
- limited availability of office space⁹²
- a high level of bureaucracy⁹³
- limited availability of internet bandwidth service.⁹⁴

3.89 In regard to the issue of limited availability of internet bandwidth, Mr John Hibbard stated quality telecommunication services are vital for the development of Christmas Island. In particular, Mr Hibbard stated the current telecommunications services used for education, medical, business and tourist services is constrained by the high cost of using a ‘very limited satellite bandwidth’.⁹⁵

87 Mr John Sorensen, *Submission 2*, p. 3; Mrs R Peter, *Submission 12*, p. 3; Mrs R Peter, *Submission 12*, p. 3; Dr Nic Dunlop, *Submission 10*, p. 2; Shire of Christmas Island, Mr Gordon Thompson, *Transcript T4*, p. 9.

88 Christmas Island Tourism Association, *Transcript T4*, p. 78.

89 Cocos (Keeling) Islands District High School, *Submission 3*.

90 Christmas Island Phosphates, *Submission 6*, Appendix, p. 3.

91 Christmas Island Tourism Association, *Transcript T4*, p. 79.

92 Christmas Island Chamber of Commerce, *Submission 19*, pp 3-4.

93 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 42.

94 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 42.

95 Mr John Hibbard, *Submission 17*, p. 1.

- 3.90 In regard to providing broadband internet in the IOTs, the Christmas Island Internet Administration stated it encounters very high costs in operating and maintaining a very complex network because of the Island's topography and dispersed settlement locations. The issues relating to information communication technology are discussed in more detail in Chapter 5.
- 3.91 The Shire of Christmas Island was concerned that there is no health and safety inspectorate on Christmas Island as 'arrangements have not been agreed between the State of Western Australia and the AGD.' The Shire added 'the lack of enforcement procedures and activities puts the health and safety of workers in the private sector at risk.'⁹⁶
- 3.92 The Shire of Christmas Island was also concerned Corporations Law does not apply to Christmas Island. The Shire of Christmas Island advocated legislation to allow for cooperatives to be established, similarly to the Cocos (Keeling) Islands and stated:
- The Corporations Act does not apply on Christmas Island. We need legislation that allows cooperatives to be established on Christmas Island. Cocos (Keeling) Islands are served by a Cooperatives Act. Christmas Island is not. And we should be.⁹⁷
- 3.93 AGD acknowledged there may be implications for future economic development without application of Corporations Law and added:
- It would be desirable for Corporations law to apply in the Territories as it is Australian Government policy to normalise the legal framework of the Territories. Commonwealth laws are intended to operate in the Territories as they do in the rest of Australia, unless they are specifically excluded from operation. The Department is exploring options to achieve this.⁹⁸
- 3.94 Ms Charlene Thompson highlighted Christmas Island economy's reliance on the short term payment of services from large public organisations such as DIAC and stated:
- I think there are some practical ways that big organisations like the hospital and, particularly Immigration and Serco who have come here now, can help. Yes, we are a remote island and we have a very small micro-economy: help it. Do not make us wait four

96 Shire of Christmas Island, *Submission 24*, p. 9.

97 Shire of Christmas Island, *Submission 24*, p. 9.

98 Attorney-General's Department, *Submission 15*, p. 17.

months to get paid. Do not make us wait even the usual 60 days.
Make it 30 days.⁹⁹

- 3.95 Since November 2008, the *Financial Management and Accountability Act 1997* (Cwlth) provides that Government agencies 'are required to adopt maximum payment terms not exceeding 30 days from the receipt of a correctly rendered invoice.'¹⁰⁰
- 3.96 Recently, the Government noted 96.5 percent of its agencies are punctual in paying their bills to small business on time and highlighted that the private sector is worse at paying its bills on time with an average waiting time of 51 days for payments.¹⁰¹
- 3.97 AGD has recognised the remoteness of the IOTs coupled with a small work force creates high on-island labour costs where a large number of vacancies are filled from the mainland. This results in high recruitment costs consisting of the payment of relocation, holiday airfares and housing for staff.
- 3.98 In regard to the recent increase in the price of basic goods, especially food, the Shire of Christmas Island stated it had not properly measured the price of foodstuffs over the last year, but that is was surprising to see that seven bananas cost \$17.¹⁰²
- 3.99 The Australian Competition and Consumer Commission (ACCC) advised that, provided they do so independently, suppliers of goods and services on the IOTs are free to set their own prices in a way that is not misleading.¹⁰³
- 3.100 Further, the ACCC noted it has on occasion received complaints about pricing issues associated with the application of the Goods and Services Tax (GST) or the cost of shipping in regard to the IOTs. The ACCC advised the WA Department of Commerce is the agency tasked with handling consumer protection issues for IOTs residents.¹⁰⁴

99 Ms Charlene Thompson, *Transcript T4*, p. 53.

100 Department of Finance and Deregulation, 28 November 2008, No. 2008/10, Procurement 30 Day Payment Policy for Small Business, viewed 1 February 2010, <www.finance.gov.au>.

101 D Crowe, 'Government speeds up SME payments', *The Australian Financial Review*, 14 January 2010, p. 5.

102 Shire of Christmas Island, *Transcript T4*, p. 12.

103 Australian Competition and Consumer Commission, *Submission 29*, p. 1.

104 Australian Competition and Consumer Commission, *Submission 29*, pp 1-2.

Cocos (Keeling) Islands

- 3.101 There are approximately 30 small business listings on the Cocos (Keeling) Islands, most of which service the tourism sector. These include providers of: accommodation, restaurants and water activities.¹⁰⁵
- 3.102 In addition to the competition issues surrounding the high cost of goods and services inflated by the cost of air and shipping freight, the limitations of information communication technology services, high levels of complex bureaucracy, an absence of tourism infrastructure and the changing demographic, a number of other issues were raised which were seen to affect business development. These were identified as:
- establishing ways to capitalise on the IOTs proximity to Asia¹⁰⁶
 - an over reliance on Government funding¹⁰⁷
 - application of the *Environment Protection and Biodiversity Conservation Act 1999* (Cwlth)¹⁰⁸
 - the high cost of housing¹⁰⁹
 - a shortage of available and affordable housing on West Island¹¹⁰
 - limited land release for housing development¹¹¹
 - land is not readily released for development¹¹²
 - there is a limited number of permanent essential tradespeople and an inability to attract tradespeople¹¹³
 - postal delivery is slow and costly¹¹⁴
 - low wages.¹¹⁵

105 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 51.

106 Mr Ron Grant, *Submission 20*, p. 2.

107 Mr Ron Grant, *Submission 20*, p. 2.

108 Mr John Clunies-Ross, *Submission 7.1*, p. 3; Mr Nyall Ledger, *Submission 11*.

109 Mr John Clunies-Ross, *Submission 7*, p. 6.

110 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3.

111 Cocos Islands Co-Operative Society, *Submission 26*, p. 4.

112 Mr Ron Grant, *Transcript T5*, p. 20.

113 Shire of Cocos (Keeling) Islands, *Submission 9*, p. 3.

114 Cocos Islands Cooperative Society Ltd, *Submission 26*, p. 1; Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 3.

- 3.103 Mr Ron Grant made the point that it is unclear whether the high price of basic consumer goods is due to the high cost of freight or whether other issues are affecting prices and stated:

The issue relates to how much prices reflect poor management of organizations supplying the food, or even excess profit taking by organizations. The question this point raises is: Do prices that are charged reflect issues other than cost of goods, freight and a reasonable profit margin?¹¹⁶

- 3.104 In its submission to the Inquiry into coastal shipping policy and regulation, AGD acknowledged:

Shipping has been identified as a major underlying cost of almost all economic activity in the IOT. The IOT economies are small and particularly vulnerable to cost increases. Economic growth is closely linked to the affordability of shipping services as many inputs for local businesses are shipped from the mainland. A decrease in service and/or an increase in shipping costs is likely to have a substantial, adverse effect on the IOT economies.¹¹⁷

- 3.105 Issues surrounding the cost of sea and air freight are discussed further in chapter 6.
- 3.106 The Shire of Cocos (Keeling) Islands favoured government assistance to solve the current economic challenges facing business and stated:

The operation of business on Cocos is faced with many challenges ... Governmental intervention may be the only solution in areas such as the cost of freight, the availability of housing, the difficulties and cost of obtaining insurance, the restrictions that quarantine and customs laws enforce as an external territory of Australia, the confusion with postal requirements, the difficulties in obtaining staff and qualified tradespersons and also the welfare system. A critical limit needs to be determined for the capacity of both permanent residents and visitors to the islands to continue to be able to provide the infrastructure and have the ability to remove waste and offer other services. The lack of housing on the

115 ACIL Tasman, September 2008, *The Economy of the Indian Ocean Territories: Economic development opportunities for Christmas Island and the Cocos (Keeling) Islands*, ACIL Tasman, Melbourne, p. 90.

116 Mr Ron Grant, *Submission 20*, p. 56.

117 Attorney-General's Department, April 2008, *Submission to the House Standing Committee on Infrastructure, Transport, Regional Development and Local Government's Inquiry into coastal shipping policy and regulation*, AGD, Canberra, p. 4.

islands impacts many areas, including all businesses and their ability to attract staff and specialist personnel or tradespeople.¹¹⁸

Conclusions

- 3.107 For the Indian Ocean Territories (IOTs), the price of basic goods and services including imported labour costs are high, with food prices particularly volatile. This has the effect of reducing living standards and increasing the cost of business operation. Evidence indicates that price fluctuations could be due to a number of factors including: the high cost of freight, excess profit taking by organisations and poor management by food suppliers.
- 3.108 Apart from the impact of the high cost of sea freight on the price of goods, without price monitoring, it is uncertain as to what the other contributing factors are to price inflation. Collecting and recording price data over time would assist in identifying pricing trends and account for possible anomalous economic impacts.
- 3.109 While IOTs businesses place a high priority on providing goods and services to Government agencies, evidence received suggests that Government agencies are taking excessive time to pay accounts and that business can not afford to wait for long periods for payment. The committee suggests Government agencies could assist IOTs businesses by making payments to local contractors and providers within 30 days of the receipt of invoices. This follows a mandate from the Government for public sector agencies subject to the *Financial Management and Accountability Act 1997* (Cwlth) that payments to small business be made within 30 days of the receipt of invoice.
- 3.110 Extending Corporations Law to the IOTs was a recommendation by the previous committee in its 2006 report into current and future governance arrangements. The then Government responded by stating that it is considering extending Corporations Law to the IOTs.
- 3.111 Enabling Corporations Law to be applied to the IOTs would assist in providing the legal requirements for facilitating sustainable economic development. The committee suggests the Minister for Home Affairs fast track efforts to ensure application of Corporations Law for the IOTs.
- 3.112 Evidence received suggests that the Western Australian building codes which are applied to Christmas Island are not suited to the physical environment which provides an obstacle for infrastructure development

118 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 3.

and more broadly economic development. The committee suggests that the building codes currently applied to the IOTs be reviewed with the aim of making them more suitable to the physical environment and climate.

- 3.113 In addition to the issues raised which affect prices and business operation, the committee notes the Shire of Christmas Island has requested that a health and safety inspectorate be located on Christmas Island. The committee agrees that to ensure workers' welfare, that a health and safety inspectorate should be located on Christmas Island. The committee advocates that arrangements between AGD and the Western Australian Government need to be finalised as soon as possible to enable this course of action.

Recommendation 3

- 3.114 **The committee recommends the Shire of Christmas Island and the Attorney-General's Department coordinate a program of price monitoring for the Indian Ocean Territories.**

Recommendation 4

- 3.115 **The committee recommends the Minister for Home Affairs take measures to ensure Corporations Law is applied to the Indian Ocean Territories as soon as possible.**

Recommendation 5

- 3.116 **The committee recommends that Government agencies sourcing goods and services from businesses of the Indian Ocean Territories ensure payment of accounts within 30 days of the receipt of invoice.**

Recommendation 6

- 3.117 **The committee recommends that arrangements be progressed as far as possible between the Attorney-General's Department and the Government of Western Australia to place a health and safety inspectorate on Christmas Island.**

Recommendation 7

- 3.118 **The committee recommends that the building codes currently applied to the Indian Ocean Territories be reviewed with the aim of making them more suitable to the physical environment and climate.**

Role of the Government

- 3.119 The Government is assisting economic development in the IOTs through: establishment of Economic Development Consultative Groups (EDCGs), the funding of an Economic Development Officer (EDO) position, entering into a service delivery arrangement with the WA Small Business Development Corporation (SBDC), and by funding various grants for community based economic initiatives. Further, the Government provides direct investment for infrastructure and capital works.
- 3.120 In July 2008, the Government established EDCGs, with the aim of providing a consultation forum to assist with business development for the IOTs. EDCGs are assisted by the EDO.
- 3.121 In regard to access to direct funding, since 2001, State-type assistance grants have been made available to residents of the IOTs for community based initiatives. This grant program is similar to the model that operates in WA, with the same eligibility criteria applied. Funding made available in 2007-2008 was \$800 000 and as at 23 March 2009, eleven projects had been given grant approval totalling \$467 677.¹¹⁹
- 3.122 The Economic Development Funding Program (EDFP) provides further funding to the IOTs. Under the EDFP \$75 000 per annum is made available for each of the IOTs for community initiatives which 'seek to promote economic development initiatives which will increase employment opportunities, improve skills, expand/upgrade infrastructure or increase community capacity to become economically more sustainable.'¹²⁰
- 3.123 The types of initiatives which have received funding under the EDFP in 2008-2009 are listed in Table 3.1. In 2008-2009, \$114 500 of the total \$150 000 in available funding was allocated.

119 Attorney-General's Department, *Submission 15*, p. 9.

120 Attorney-General's Department, *Submission 15*, p. 10; Attorney-General's Department, viewed 10 December 2009, <www.ag.gov.au>.

Table 3.1 Initiatives supported under the IOTs Economic Development Funding Program 2008-09¹²¹

Recipient	Project	Amount	Description	Note
Christmas Island				
Indian Ocean Territories Group Training Association	IOTs Entrepreneurial and Leadership Program	\$8500	To conduct five, day courses on Christmas Island and Coco (Keeling) Islands to build skills in leadership, communication, presentation, networking, business development, marketing and accounting, and increase cultural awareness within these communities.	Funded equally from Christmas Island and Cocos Budgets
Christmas Island Tourism Association Inc	Christmas Island Cruising Project	\$43 500	To provide a single point coordination resource to develop a work plan and activities to support the initial cruise ship season.	
Christmas Island 08/09 Total		\$52 000		
Cocos (Keeling) Islands				
Big Barge Art Co. sponsored by Shire of CKI	Big Barge Art Project	\$32 500	To fund the restoration of an historic barge for establishment of an arts and cultural facility on West Island	
Seacreature Leisure sports Pty Ltd	Kite Beach Infrastructure Upgrade Project	\$21 500	To fund a purpose built semi permanent shelter at Kite Beach on West Island, to support the activities of the growing kite surfing market.	
Indian Ocean Territories Group Training Association	IOTs Entrepreneurial and Leadership Program	\$8500	To conduct five, day courses on Christmas Island and Coco (Keeling) Islands to build skills in leadership, communication, presentation, networking, business development, marketing and accounting, and increase cultural awareness within these communities.	
Cocos (Keeling) Islands 08/09 Total		\$62 500		
Total IOTs funding approved		\$114 500		

121 Attorney-General's Department, *Submission 15.2*, p. 3.

- 3.124 Through a service delivery arrangement with the SBDC, the Government has made available 'independent information and advice to support existing and new businesses in the Territories.'¹²²
- 3.125 Further, in response to the issues identified within the existing labour market (that is those associated with size and isolation) the Government through the EDO, the SBDC and the Indian Ocean Group Training Association (IOGTA) is assisting with increasing the on-island skill base with a view to 'provide further educational avenues for residents of the Territories.'¹²³
- 3.126 In 2008-2009, IOGTA received \$850 000 in funding to: 'employ apprentices and trainees and support their training and placement with employers in the Territories, support the development of small business, provide employment training programs for employers and employees in the Territories, and support unemployed people in their need for training to gain employment.'¹²⁴
- 3.127 In regard to direct investment infrastructure and capital works in the IOTs, the Government is coordinating an asbestos removal program (\$11 million) and upgrading Commonwealth owned assets (\$16 million annually over five years). In addition, on Christmas Island, the Government is providing walking trails to link heritage sites (\$3 million), and for the Cocos (Keeling) Islands is providing a new community centre on West Island (\$5 million).¹²⁵
- 3.128 The Government also stipulates in its major contracts that local subcontractors and local labour should be used where possible. This includes tradespersons, trades assistants and labourers.
- 3.129 In June 2009, the Government announced that it would provide \$170 317 in funding for IOTs community arts projects.¹²⁶ Following this, in August 2009, the Government announced \$10.8 million in funding (over a period of 5 years starting in 2009-2010) for high priority capital works for Christmas Island and the Cocos (Keeling) Islands. This funding has the aim of sustaining services and supporting economic development in the IOTs with projects including:
- \$2.61 million to improve ports facilities

122 Attorney-General's Department, *Submission 15*, p. 10.

123 Attorney-General's Department, *Submission 15*, p. 19.

124 Attorney-General's Department, *Submission 15*, p. 19.

125 Attorney-General's Department, *Submission 15*, p. 10.

126 B O'Connor (Minister for Home Affairs), *Christmas and Cocos (Keeling) Islands to receive community arts funding*, media release, Parliament House, Canberra, 24 June 2009.

- \$2 million for water and wastewater infrastructure upgrades
 - \$1.88 million to replace the key marine vessels which form the critical supply line from the mainland
 - \$500 000 for new health equipment
 - \$200 000 for refurbishments to Christmas Island High School.¹²⁷
- 3.130 More recently in December 2009, the Government announced a \$50 million funding package for Christmas Island to ‘provide additional health, policing and education resources to maintain a high standard of service to the local community and to people in immigration detention.’¹²⁸
- 3.131 Funding would commence in 2009-2010 and be distributed over a three year period to:
- ‘expand waste water treatment infrastructure to meet increased demand for this service
 - upgrade the power station to respond to the growing need for electricity on the Island
 - employ additional health workers through the Indian Ocean Territories health service
 - employ additional school teachers and aides at the Christmas Island District High School and
 - investigate the feasibility of lengthening the wharf at Flying Fish Cove and sealing the road to North West Point.’¹²⁹
- 3.132 Table 3.2 shows how the \$50 million Christmas Island infrastructure funding package has been allocated.

127 B O’Connor (Minister for Home Affairs), *\$10.8 million of capital works announced for Christmas and Cocos (Keeling) Islands*, media release, Parliament House, Canberra, 31 August 2009.

128 B O’Connor (Minister for Home Affairs), *Infrastructure boost for Christmas Island*, media release, Parliament House, Canberra, 15 December 2009.

129 B O’Connor (Minister for Home Affairs), *Infrastructure boost for Christmas Island*, media release, Parliament House, Canberra, 15 December 2009.

Table 3.2 Breakdown of the Christmas Island \$50 million infrastructure funding package¹³⁰

Amount	Component	Notes
\$600 000	Health	Employment of additional doctor, a mental health nurse and visiting specialists (psychiatrist, physiotherapist).
\$2.1 million	Education	Employment of additional teachers, teacher aides and fit out of additional classrooms. Conversion of a part time coordination role to full time.
\$23.9 million	Power	Expand an existing project to upgrade power station. \$1.9 million of this has gone towards immediate maintenance and the purchase of additional fuel. The remaining funds will supplement an existing allocation for the purchase of four new power generators.
\$22.6 million	Waste water	Purchase and installation of additional pumps and controls and modular treatment infrastructure at the existing Smith Point sewerage treatment site.
\$200 000	Wharf expansion feasibility	Determine current and future passenger transfer requirements, safety and environmental risk factors of the current usage profile and options for lengthening the wharf. Examine economic benefits and environmental impacts of an expansion.
\$600 000	Road sealing feasibility study	Determine health and safety and environmental issues, including the cost to protect the iconic red crab migration.

130 Attorney-General's Department, *Submission 15.5*, p. 1.

Economic Development Consultative Groups

- 3.133 EDCGs were established with the appointment of members occurring in May 2009. Two EDCGs operate in the IOTs, one for Christmas Island and another for the Cocos (Keeling) Islands. The purpose of EDCGs is to provide a forum for advice and feedback on economic development issues relevant to the IOTs communities.
- 3.134 The Christmas Island EDCG has 7 members and the Cocos (Keeling) Islands EDCG has 5 members. Members were appointed by the Minister for Home Affairs after an AGD process of drafting a terms of reference for the EDCG and calling for expressions of interest from the IOTs communities.
- 3.135 Appointments to the EDCGs are for two years and membership consists of 'a cross-section of people who have an interest and a broad involvement relevant to economic development.' The contribution of members is provided on a voluntary basis.¹³¹
- 3.136 Prior to the establishment of EDCGs, consultation on similar matters was provided through Economic Development Advisory Groups (Advisory Groups). These Advisory Groups are incorporated bodies and are still eligible to apply for economic development funding. A number of people are members of both the Advisory Groups and the EDCGs.¹³²
- 3.137 EDCGs are not incorporated bodies and their terms of reference provide they must meet a minimum of three times annually, in addition to an annual combined meeting of the Christmas Island and Cocos (Keeling) Islands EDCG. The EDCG is chaired by the Administrator of the IOTs with the EDO facilitating operation through secretariat and liaison support.¹³³
- 3.138 EDCG's have recently workshopped a 'strategic plan [which] could assist in decision making on the allocation of resources and be aligned with the shires' future plans and those of the Commonwealth. These strategies may also 'help to strengthen and provide further direction to some of the service delivery arrangements and provide assistance for industry and private investors.'¹³⁴

131 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 4.

132 Attorney-General's Department, Mr Julian Yates and Mr Simon Millcock, *Transcript T3*, p. 8.

133 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 4.

134 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 4.

- 3.139 The strategic development plan includes the following initiatives:
- a 12 month workshop program focused on small business including providing advice on writing grant applications, business planning, marketing, event management and an entrepreneurial and leadership program
 - joint funding for a horticultural feasibility study for the IOTs¹³⁵ and research and development for aquaculture.¹³⁶

Role of the Economic Development Officer

- 3.140 The EDO coordinates operation of the EDCGs. The role of the EDO was established in December 2008 and 'centres on improving [existing] capacity, the transfer of skills and the identification and development of economic opportunities' for Government agencies, community groups, businesses and individuals.¹³⁷
- 3.141 Of his role, the EDO stated:
- My role as the economic development officer is to provide advice and assistance to organisations and individuals seeking grant funding for economic development. I work with stakeholders to develop and implement a strategic vision and plan for sustainable economic development, which is building on existing plans and reports.¹³⁸
- 3.142 The EDO takes a leading role in 'developing recommendations for a long-term structure for economic development and provides on island support to the economic [development] funding program, whilst ... providing input to policies and programs to the Attorney-General's Department relating to the' IOTs.¹³⁹ The EDO also provides feedback to various government agencies where issues are identified as requiring attention.
- 3.143 In addition to facilitating the operation of the EDCG, every five to six weeks, the EDO meets with either the Chief Executive Officer or President of the Shire to report on the progress of work undertaken over the period.

135 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 4.

136 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 12.

137 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 3.

138 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 3.

139 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 3.

- 3.144 The EDO elaborated on his liaison role and stated that his role is also to provide feedback to various Government agencies where issues are identified as requiring attention.
- 3.145 In providing assistance to local businesses and building capability, the EDO stated that his role was to provide business with a more strategic focus on future projects.¹⁴⁰
- 3.146 Mr Ron Grant endorsed the appointment of an EDO¹⁴¹ and noted the importance of being able to work closely with the EDO to tie together economic development activities for both Christmas Island the Cocos (Keeling) Islands.¹⁴²
- 3.147 The Shire of Christmas Island noted the value of having an EDO, but expressed a desire to have a policy officer with a similar role that is employed by the Shire. Mr Thompson stated:

We just do not have the capacity – the staff, the people power to develop the plans that I think we need for this community. I would love to have some funding from the Commonwealth to employ one or two policy type-officers, directly at the shire, who are responsive to the community and who are guided by the community. Our economic development officer, who has been appointed in the last 12 months, is a very valuable asset to the community but unfortunately he is under the department.¹⁴³

Grant application and approval process

- 3.148 The economic development funding program allocates \$75 000 per annum for each of the IOTs for community initiatives with the potential to improve economic sustainability.
- 3.149 The process of applying for a grant under the economic development funding program was outlined by the EDO as:
- ... an application will be developed, and normally that will be done in consultation with me, and from there the application then has some recommendations; it is forwarded to the consultative groups for input. And the administrator will place some comments on that as well. That is then forwarded to the department, and currently that goes to our Territories office in

140 Attorney-General's Department, Mr Simon Millcock *Transcript T3*, p. 3.

141 Mr Ron Grant, *Submission 20*, p. 62.

142 Mr Ron Grant, *Transcript T5*, p. 17.

143 Shire of Christmas Island, Mr Gordon Thomson, *Transcript T4*, p. 20.

Perth. From there it would be forwarded to the Minister [in Canberra] for his decision.¹⁴⁴

- 3.150 CICC raised the issue of the highly bureaucratic nature of applying for grants and stated:

... perhaps we could have a look at something like the economic development committee in its initial stage, which had a fund, I think, of \$75,000 per island per year. Both of those ventures failed, simply because of – once again – the level of bureaucracy required to obtain funding for anything. I think the last form that we looked at in the economic development committee was something like 40 pages long. If you wanted to apply for \$3,000 you had to fill in a 40-page report, which is absolutely ridiculous in anyone's language.¹⁴⁵

- 3.151 CICC advocated streamlining the grant approval process relating to the \$75 000 available under the economic development funding program and delegating the authority to make grant approvals to the IOTs Administrator. CICC stated:

This is the type of power that the administrator should have: to commit funds, to spend money. Certainly \$75,000 is not even worth considering. I do not know what the Attorney-General's budget for Christmas and Cocos (Keeling) Islands is, but it must be significant. Given an intelligent process and an intelligent system of devolving that power to the administrator, there is certainly very good opportunity to reduce the level of bureaucracy that all islanders have to put up with at the moment.¹⁴⁶

- 3.152 On the suggestion of providing the direct funding of \$75 000 currently available under the economic development funding program to EDCGs for discretionary approval, similar to the authority resting with city councils, AGD stated:

An advantage for the councils, I might note there, is that they have good governance structures and audit processes to manage that. As you know, we have quite a significant process where we give quite considerable funding to both the shires, and they have the administrative and governance processes behind that. But what we were trying to achieve with the consultative groups was a straightforward system that did not put a significant

144 Attorney-General's Department, Mr Simon Millcock, *Transcript T3*, p. 9.

145 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 44.

146 Christmas Island Chamber of Commerce, Mr John Richardson, *Transcript T4*, p. 44.

administrative workload on volunteers – so that they could add value by assisting businesses in the community build their capability and give us, and hence the Minister, advice on what the community view was on the various development proposals – without making it a decision-making body with all of the governance processes that you need behind that.¹⁴⁷

Role of the Shire Councils

3.153 The *Local Government Act 1995* (WA), requires IOTs Shires to prepare a plan for the future which is tied to the annual Budget. In accordance with this requirement, the Shire of Christmas Island has developed the *Plan for the Future 2007-2011*. In addition, the Shire of Christmas Island has developed its own Strategic Plan and a Local Planning Strategy. The Shire of Cocos (Keeling) Islands has developed the *Vision 2010* planning document.

Christmas Island

3.154 The Shire of Christmas Island's *Plan for the future 2007-2011* (the plan) 'provides an overview of the major activities and projects that the shire plans to undertake' over a four year period. The plan provides for a description of the proposed principle future activities for a minimum of two financial years; an explanation of their purpose; their cost; how performance will be assessed; and the impact on the total estimated income and expenditure for each year affected by the plan.¹⁴⁸

3.155 The plan builds on the Shire's *Strategic Plan 2002-2006* which includes a focus on the economic environment.

3.156 The Shire's strategic plan provides that the role of the Shire Council in terms of economic development and moving towards sustainability is to:

... provide leadership and direction, working with the Commonwealth Government, businesses and community to achieve a secure and prosperous future for the people of Christmas Island.¹⁴⁹

147 Attorney-General's Department, Mr Julian Yates, *Transcript T3*, pp 9-10.

148 Shire of Christmas Island, 1 July 2007 to 30 June 2011, *Plan for the future*, Shire of Christmas Island, Christmas Island, p. 4.

149 Shire of Christmas Island, 2002-2006, *Strategic Plan*, Shire of Christmas Island, Christmas Island, p. 20.

3.157 By working closely with the Commonwealth and WA Governments, the Shire of Christmas Island outlined that its objectives in regard to the economic environment are to:

- harness the unique, distinctive and competitive features of Christmas Island, and the ingenuity and resources of the local people, in order to achieve economic growth
- create opportunities and incentives for business growth, investment and employment
- encourage a wide range of education, training and development opportunities for local people in order to build the Island's knowledge base, skills and expertise
- develop the overall self-sustainability of the Island and the Shire.¹⁵⁰

Cocos (Keeling) Islands

3.158 Over the past five years, the Shire of the Cocos (Keeling) Islands has participated in economic development through investing in local infrastructure and is now in the process of developing a new strategic plan that will span the next decade.¹⁵¹

3.159 In regard to investment in local infrastructure, the Shire of Cocos (Keeling) Islands stated:

Over the past five years, the shire has been able to construct and purchase capital assets to the value of \$5.9 million with assistance from grant funding. The major items have been \$1.2 million for road and other infrastructure, \$970,000 for the Home Island community centre and \$514,000 to construct two additional houses on Home Island.¹⁵²

3.160 The new strategic document, which will follow on from the current *Vision 2010* document, is focused on developing economic sustainability within the local economy and improving future employment opportunities for Cocos (Keeling) Islands residents.¹⁵³

150 Shire of Christmas Island, 2002-2006, *Strategic Plan*, Shire of Christmas Island, Christmas Island p. 20.

151 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 2.

152 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 2.

153 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 9.

- 3.161 The strategic plan is being developed through community consultation to 'achieve an idea of the whole community's needs and how goals can be set for areas that are most cared about.'¹⁵⁴

Conclusions

- 3.162 The Economic Development Officer (EDO) is an officer of the Attorney-General's Department (AGD) and works in line with accepted departmental policy and procedure to improve the capacity, transfer of skills and the identification and development of economic opportunities for Government agencies, community groups, businesses and individuals in the Indian Ocean Territories (IOTs). The EDO shares his time between Christmas Island and the Cocos (Keeling) Islands and also acts as a liaison between Government agencies, community groups and individuals.
- 3.163 The committee believes economic development could be further assisted at the local level through the creation of similar positions as the EDO located within the Shires. This could serve to empower and inform community organisations and individuals to participate in and have greater access to advice about economic development at the local level. This could also complement Shires' initiatives to seek ways to improve incentives for economic development.
- 3.164 Evidence received draws attention to the bureaucratic obstacles presented to individuals and organisations applying for grant funding under the Economic Development Funding Program. The grant application process involves completion of a lengthy form in consultation with the EDO. The application is then forwarded to the Economic Development Consultative Groups (EDCGs) for input and recommendations. The Administrator also has the opportunity to comment on the application. From there, the application is forwarded to AGD in Perth and then to the Minister in Canberra.
- 3.165 While the committee supports making grant funding available to the IOTs for economic development initiatives, the committee suggests the process should be reviewed with the aim of streamlining the application process.
- 3.166 The Economic Development Funding Program allocates \$75 000 per annum for each of the IOTs. In 2008-2009, the smallest amount approved under the grant was \$8500 for both IOTs and the largest amount, \$43 500 for Christmas Island and \$32 500 for the Cocos (Keeling) Islands.

154 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 2.

- 3.167 EDCGs provide input at the local level about whether funding for particular projects is advisable. EDCGs are not incorporated bodies and can not apply for economic development funding. Rather EDCGs were established to inform the Government's grant approval process. Previously to the EDCGs establishment, incorporated advisory bodies had a similar role. EDCGs have effectively replaced the previously incorporated IOTs advisory bodies with some membership shared between EDCGs and the previous advisory bodies. The committee believes it would be more practical to have only one group representing each of the IOTs for consultation purposes and suggests that the former advisory bodies should be dissolved.
- 3.168 Decisions about where funding is required to stimulate economic development can best be achieved at the local level and should not be unnecessarily hampered by excessive bureaucratic grant approval processes. For funding provided under the Economic Development Funding Program, it may be more practical and appropriate for the EDCG to be delegated discretionary grant approval authority. This could allow for an administratively streamlined grant application and approval process.
- 3.169 The Economic Development Funding Program is aimed at promoting economic development initiatives, to increase employment opportunities, improve skills, infrastructure upgrade and increase community capacity towards economic sustainability. While the committee agrees the economic development funding program has merit, it is overly ambitious in what it seeks to achieve with the limited funds available under it of \$75 000 per annum for each of the IOTs. The committee proposes this amount be doubled to \$150 000 per annum for each of the IOTs.
- 3.170 The committee supports the Government's \$50 million infrastructure funding package for Christmas Island which will provide for: additional resources for improved education and health services, the upgrade of local waste water treatment infrastructure and power supply, investigations into the feasibility of lengthening the wharf at Flying Fish Cove and sealing the road to North West Point.
- 3.171 The committee believes sealing of the road to North West Point is an important and long awaited addition to Christmas Island's infrastructure. Once completed, it is expected the sealed road would stop further degradation to the existing surrounding landscape as enhance road user safety. The committee therefore suggests that once the feasibility study for the road is complete, that funds be provided without delay for the upgrade of the road to commence.

Recommendation 8

3.172 The committee recommends the Government provide funding to the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands for the establishment of local economic development officers.

Recommendation 9

3.173 The committee recommends that:

- the Minister for Home Affairs provide discretionary grant approval authority to the Indian Ocean Territories Economic Development Consultative Groups for approval of individual grants under the economic development funding program; and
- the former Indian Ocean Territories incorporated advisory bodies be dissolved.

Recommendation 10

3.174 The committee recommends that the application process required under the economic development funding program be reviewed with the aim of streamlining the application process.

Recommendation 11

3.175 The committee recommends the amount of funds available under the economic development funding program be increased to \$150 000 per annum for each of the Indian Ocean Territories.

Recommendation 12

3.176 The committee recommends that on finalisation of the feasibility study into the upgrade of the road that runs to the North West Point Detention Centre on Christmas Island (notwithstanding any recommendations and findings contained in the report) that, funds be made available without delay for the upgrade of the road to commence as soon as possible.

Effectiveness of managing tenders and handling administrative complaints

- 3.177 Potential developers and business investors raised a number of issues regarding the complex bureaucratic nature of submitting and seeing through grant applications, tenders and applications for licences and generally dealing with various levels of government. The discussion that follows outlines claimed time delay and cost implications that complex bureaucracy presents for investors and business development.

Christmas Island

- 3.178 Where grant applications are concerned, CICC made the point:

Nowhere in Australia is any community likewise encumbered with processes of this nature, where a simple application commences in the WA Government system, evolves to Christmas Island Administration, then to Perth AG Department and finally to Canberra for approval. In any of these various stops, this funding can be rejected for reasons unknown.¹⁵⁵

- 3.179 Mr John Sorensen whose company has been engaged in various development projects on Christmas Island since 1988, outlined his concerns in dealing with the local bureaucracy and advocated that 'professional people in government positions (local or Federal) are essential'.¹⁵⁶
- 3.180 Further, Mr Sorensen advised his current 'development is now on hold due to alleged unprofessional conduct by an individual and the local authority. We are informed to expect months of waiting while investigations of submissions and a possible appeal take its course.'¹⁵⁷
- 3.181 The Christmas Island Tourism Association (CITA) advocated receiving feedback following community consultation and stated:

... there are a number of obstacles from people who have been in the territories office for many, many years. It seems that they feel they know what is best for us. We go through a process of consultation; however, the results of our input are very rarely seen. In simple terms that probably would be the start. Our feedback should be listened to. If the result is that there will be a decision that is not in line with our feedback, we should be told

155 Christmas Island Chamber of Commerce, *Submission 19*, p. 3.

156 Mr John Sorensen, *Submission 2*, p. 4.

157 Mr John Sorensen, *Submission 2*, p. 4.

why. At the moment we go through the consultation process, things happen differently to what we thought would happen, but nobody explains to use why. That would be a start.¹⁵⁸

Cocos (Keeling) Islands

3.182 In regard to grant applications, Mr John Clunies-Ross commented on the need for the Government to have a flexible and targeted approach for grant funding for the IOTs and stated:

There is no culture of fostering economic development. When you go for a specific grant – design packaging or something like that – we have to squeeze Cocos and Christmas islands into the narrow economic focus of the Western Australian problems, because the grants have to be parallel with them. But we have totally different issues. We pay WA state taxes and we get these WA state grants but they do not suit us. When I say, ‘I need this,’ they say, ‘Can it fit into any of these? When I say no, they say, ‘Then you’re not getting any money.’ So we need a lot more flexible approach. If we want to give grants for business development, they have to be a lot more flexible and they have to be targeted to the Territories.¹⁵⁹

3.183 Mr Nyall Ledger outlined the problems he has encountered with various levels of bureaucracy in attempting to apply for a licence for bech-de-mer fishing from the WA Department of Fisheries. Mr Ledger stated:

I applied for a fishing licence for the Cocos (Keeling) Islands in 2004. I was granted an exemption by... the Western Australian Department of Fisheries. A consultancy was to take place and apologies for the time span given for the delays in granting the exemption. Since then nothing has happened. Everything has slowed down. The director of commercial fisheries does not send emails. He does things verbally. When anything is sent, it is sent through the resource manager in a delayed format. Last year, to get the report that took nearly two years to be done by WA fisheries, I had to go through freedom of information. I actually got to talk to the fisheries director that was relieving last year, and when he found out what was going on he straightaway called for an inquiry.¹⁶⁰

158 Christmas Island Tourism Association, Mr Micheal Asims, *Transcript T4*, p. 84.

159 Mr John Clunies-Ross, *Transcript T5*, p. 30.

160 Mr Nyall Ledger, *Transcript T6*, p. 10.

- 3.184 Mr Ledger stated the WA Department of Fisheries ‘appears to [have] no formal monitoring system [on] the progress of projects. In regard to AGD, Mr Ledger was of the view ‘there was no appreciation of the importance of the timeframe for advancing projects that will result in economic and social benefits for the community.’¹⁶¹
- 3.185 Mr Ledger advised that his business, when established, would generate about six full time positions, and between 30 and 40 part time positions.¹⁶²
- 3.186 Mr John Clunies-Ross highlighted the issues associated with dealing with bureaucracy experienced by commercial fishers operating from the Cocos (Keeling) Islands and stated:

Commercial fishermen are under increasing pressure in the mainland to stamp out unsustainable fishery practices. This has led to a culture of confrontation between the industry and their regulators. This is as true in WA as anywhere else. This culture has been imported into Cocos. There are glaring errors in the optional regulations already put in place. Hermit crab, blue lipped clams and gong gongs are punitively regulated, to such a degree that the regulations are ignored in their entirety. None are in any real danger of extinction or even shortage. Attempts to diversify our aqua-fishery into coral harvest are bogged down into the fifth year (I think), and is held up because of issues in WA not Cocos.¹⁶³

- 3.187 Mr Clunies-Ross gave a further example of high levels of regulation not being appropriate for the way in which businesses operate on the Cocos (Keeling) Islands and therefore hindering market development. Mr Clunies-Ross gave the following example:

We could market reef fish from here to Christmas Island, but it is banned; we have what they call an unmanaged fishery and we are not allowed a commercial fishery. They will just not listen to us. Even if we employed two people, 100 kilos on the week on the plane to Christmas Island with whole reef fish, the Chinese there love it. At the moment they are flying it in from Indonesia and Malaysia. We can do the same from here but it is just too ... hard. The costs: \$150 for the boat to be licensed. You have to have a fishing licence, someone cannot go in your boat and do it for you because they would have to have a fishing licence too. A licence is

161 Mr Nyall Ledger, *Submission 11*, p. 9.

162 Mr Nyall Ledger, *Transcript T6*, p. 12.

163 Mr John Clunies-Ross, *Submission 7*, p. 4.

not just held by a family; each individual who gets in the boat has to have a licence as well. It is craziness.¹⁶⁴

- 3.188 Mr Ron Grant was concerned about how the Shire of Cocos (Keeling) Islands has handled tenders and applications for various proposed developments. Mr Grant noted the potential investment from as yet unrealised projects is approximately \$30 million, with the potential to create around 77 jobs with an annual income to the Shire of \$365 737.¹⁶⁵
- 3.189 Mr Grant raised the issue that the Shire of Cocos (Keeling) Islands is not proactive in its consideration of development tender applications and highlighted the issues experienced by potential investors. Mr Grant stated:

The Pulu Cocos Resort project of my own family company ... has been a very long, dragged out process which I personally find totally unacceptable. ... Other people have put in proposals. For example, on the Cocos Farm site we have had the Trannies Beach expression of interest. At the end of the day, your success as a council, when you own six-sevenths of the land, is going to be measured by the amount of investment you attract, the jobs you create, the additional income you raise through lease or rates and small business opportunities. ... If you do not measure up, people start leaving and that is exactly what is happening. Families are leaving Cocos because of social and economic pressures.¹⁶⁶

- 3.190 Mr Grant further stated that in the last two years no proposals have been approved despite there being at least six applications for development lodged.¹⁶⁷
- 3.191 AGD advised the Shire of Cocos (Keeling) Islands owns the land that it is offering for potential development and as such AGD has provided technical support to the Shire of Cocos (Keeling) Islands in assessing tender applications. In regard to the applications for Trannies Beach AGD stated:

The shire went out to market for this last year. It was unable to get any satisfactory responses. The timing was unfortunate in that the global financial crisis occurred not long after they went out to tender. That was unforeseen. The shire, I understand, is intending to go out to market again. We have provided them with technical

164 Mr John Clunies-Ross, *Transcript T5*, p. 34.

165 Mr Ron Grant, *Submission 20*, p. 17.

166 Mr Ron Grant, *Transcript T5*, p. 18.

167 Mr Ron Grant, *Transcript T5*, p. 20.

assistance to help them with the processes of developing that sort of approach to the market.¹⁶⁸

- 3.192 The Shire of Cocos (Keeling) Islands commented generally about complaint resolution and stated:

Some issues get dealt with quite well and quite quickly but then there are other areas – anything that is involved with any of the uniquenesses of the islands – that tend to be handed around the place because no-one really knows the answer or is willing to give an answer on it. All sorts of things and issues that we start trying to sort out at the shire tend to open a can of worms. You start looking at something and you think it is going to be easily fixed but then there is no direct conclusion because it has not been thought of before and no-one really has the answer. We came up against one just recently where we wanted to sort out our archives. We do not come under the state records act, and from talking to people in Canberra it was discovered that our records are really Commonwealth records. But I am sure the Commonwealth do not want all of our boxes sent over, so how do we deal with them?¹⁶⁹

Administrative complaints mechanisms

- 3.193 Under the Public Sector Commissioner's Circular 2009-27, WA Government agencies are required to have a complaints management system which conforms to the Australian Standard on Complaints Handling (AS ISO 10002).¹⁷⁰
- 3.194 In regard to mechanisms for handling complaints from the IOTs, the Ombudsman of Western Australia advised complaints should first be brought to the attention of the department or agency by the complainant. Where an agency is unable to resolve a complaint, the complainant may have recourse to the Ombudsman or the right of review by a court or tribunal.¹⁷¹
- 3.195 The Commonwealth Ombudsman advised the Ombudsman Act 'expressly precludes the Ombudsman from investigating actions taken by WA officials on Christmas Island and the Cocos (Keeling) Islands under WA laws that apply as Commonwealth laws. The WA Parliamentary Commissioner for Administrative Investigations performs the

168 Attorney-General's Department, Mr Julian Yates, *Transcript T1*, p. 8.

169 Shire of Cocos (Keeling) Islands, Mrs Melinda Lymon, *Transcript T5*, p. 8.

170 Ombudsman Western Australia, *Submission 33*, p. 2.

171 Ombudsman Western Australia, *Submission 33*, p. 2.

ombudsman function in relation to such matters.¹⁷² The Commonwealth Ombudsman has jurisdiction in regard to actions taken by Commonwealth agencies in the IOTs.¹⁷³

3.196 Mr John Sorensen stated he believed taking his case to the Commonwealth Ombudsman would be a 'waste of time'. Mr John Sorensen stated:

... to lodge it with the Ombudsman would probably be another couple of years of red tape and new evidence and what have you. I have reached the conclusion after corresponding with Government and public servants ... and in short, the Commonwealth Government ... should be ashamed and embarrassed for taking advantage of their powerful position against a small business person.¹⁷⁴

3.197 Mr Nyall Ledger stated he had approached the WA Ombudsman, but was advised that he first needed to speak with the agency with which he had been dealing. Mr Nyall Ledger advised that he had contacted the agency on several occasions and received no response.¹⁷⁵

Conclusions

3.198 Potential investors have raised concerns about their dealings with various levels of Indian Ocean Territories (IOTs) bureaucracy in regard to attempting to establish business or develop infrastructure.

3.199 Evidence received demonstrates there is moderate investor interest in the IOTs, but that high levels of bureaucracy at the local level are acting as a deterrent to further economic development. In particular, on Christmas Island one investor has had continuing concerns about the conduct of Government officials in regard to development applications, while on the Cocos (Keeling) Islands, the proposed resort at Trannies Beach received investor interest, but after a considerable time, the tender has not been awarded.

3.200 A significant amount of investment and the potential for creating opportunities for economic development through diversification may be lost if potential investors lose interest as a result of overly bureaucratic processes or an unresponsiveness from Government officials.

172 Commonwealth Ombudsman, *Submission 34*, p. 1.

173 Commonwealth Ombudsman, *Submission 34*, p. 1.

174 Mr John Sorensen, *Transcript T6*, p. 15.

175 Mr Nyall Ledger, *Transcript T6*, p. 12.

- 3.201 A greater level of transparency and accountability may be required at all levels of bureaucracy to address the issues highlighted by potential investors to the IOTs. In addition, a robust and practical complaints handling mechanism at the local level would assist in informing complainants of their rights and obligations and provide a formal mechanism to address complaints through a timely and efficient process.

Recommendation 13

- 3.202 **The committee recommends the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands put into place a practical, administrative complaints handling process.**

In addition, the Attorney-General's Department should provide ongoing adequate funding for secretariat support for this purpose.

