

Supplementary Submission from R J Grant

“Winds of Change”

This submission is done on behalf of:

The Youth of Cocos – Who face a sense of loss

The Elders of Cocos – Who face a sense of isolation

The Departed from Cocos – Who face a sense of despair

in the hope that this Committee’s Report will assist in turning loss into hope, isolation into reunion , and despair into joy.

September 21, 2009

1 The Key Facilitators and Economic Development

1.1 Introduction

On June 3, 2009, after the intervention of the Cocos (Keeling) Islands Shire Council President, I met with the Chief Executive Officer (Simms) and 6 councilors in an attempt to progress the Pulu Cocos Resort project of my family corporation, Silverfox Corporation Pty Ltd.

To illustrate the need for the Cocos (Keeling) Islands Shire Council to broaden its sources of revenue, such as lease income, rates income, and private works income, from tourism and other economic development projects, plus the benefits of increased employment for residents, I provided the following information that was extracted from the Australian Government's and the Western Australian Government's May 2009 budgets,

1.2 Australian Government Budget (May 2009)

1.2.1 Attorney General's Department

The below information is extracted from the Australian Government Budget, Attorney-General's Department, Section 1, Agency Overview and Resources

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Annual administered expenses for services to the Indian Ocean Territories

<u>Year</u>	<u>Millions</u>
2008/2009	80,198
2009/2010	92,002 (includes carry over from 2008/2009)
2010/2011	77.970
2011/2012	79,620
2012/2013	80,076

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The Indian Ocean Territories will see a reduction of \$1,600,000 in the equivalent of state type grants from the AGD over a 4 year period commencing 2009/2010.

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The economic and social sustainability of the external territories requires development of new initiatives in consultation with all stakeholders to enhance community resilience and long-term viability.

The impacts upon the Cocos (Keeling) Islands Shire Council will incorporate loss of the \$1,600,000 in state type grants, and it can be seen that in 2008/2009 the AGD budget for the IOT was \$80,198, 000, and for 2012/2013 was \$80,076,000. Effectively the 2012/2013 amount after adjustment for inflation will see less funds available in real terms, that what was available in 2008/2009.

These are warning signs as to the need to develop economic development projects to provide the revenue to the Cocos (Keeling) Islands Shire Council if it is to provide the same level of employment, services, infrastructure and projects. Note the comment in the first paragraph relating to page 48 above, the message being sent by the AGD for the development of other revenue streams other than government funding.

1.2.2 Department of Infrastructure, Transport, Regional Development and Local Government

This Department provides funds to the states for local governments.

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Special Appropriation expenses *Local Government (Financial Assistance) Act 1995*. 2008/2009 includes the acceleration to 2008-09 the first quarter payment of 2009-10.

<u>Year</u>	<u>Millions</u>
2008/2009	2 351 298
2009/2010	1 439 092
2010/2011	2 015 845
2011/2012	2 091 439
2012/2013	2 180 952

It can clearly be seen that the increase for local governments will only cover in part the increase in the local government cost index, and does not take into account any increase in funding based upon population and structure increases, key basis in calculating financial assistance grants by local government authorities.

1.2.3 The Western Australian Government 2009/2010 Budget

The below information is extracted from the portfolio for Minister for Local Government; Heritage; Citizenship and Multicultural Interests who has responsibility for local government financial assistance grants. The financial assistance grants which are paid to local governments are paid from funds

received from the Australian Government. The projected financial assistance grants for the following 5 years have been projected as follows:

<u>Year</u>	<u>Millions</u>
2008/2009	109,471
2009/2010	106,740
2010/2011	106,542
2011/2012	106,012
2012/2013	106,040

Once again, after adjusting for inflation, the years ahead do not see any major increase in government funding for local governments.

Local Governments across Western Australia are facing increasing sustainability pressures, exacerbated by the global economic downturn, and will be seeking greater, not less, financial assistance through their grants. This will impact on the factor back calculations, as the Cocos (Keeling) Islands Shire Council, follows the factor back percentages used in Western Australia, their annual grant could be reduced.

This is further complicated by a falling population on Cocos, and the lack of new structures flowing from economic development projects, both which are critical factors in calculation grant applications.

1.2.4 Western Australian Local Government Association

WALGA in its statement on the May 2009 Budget Edition Economic Briefing made the following comment:

“Our current view is that for the year to the end of June 2009, the Perth CPI will increase 2.5% and the Local Government Cost Index increase will be around 2.75%”.

Taking into account the location of the Cocos (Keeling) Islands both the CPI and Local Government Cost Index will be above the 2.5% and 2.75%.

The annual increase in the Australian Government grants to state governments will be approximately 3.25%.

There can be no doubt of the need of the revenue from economic development projects to meet such shortfalls.

2 The Uneven Struggle: Consulting versus Feet on Ground

From September 2008 to July 2009 the following AGD commissioned consultancy reports have seen the light of day:

Urbi's Demographic report on the Indian Ocean Territories

ACIL Tasman's 'The Economy of the Indian Ocean Territories: Economic Development opportunities for Christmas Island and the Cocos (Keeling) Islands

Maunsel's Climate Change Report for the Indian Ocean Territories

Arup's document for the Cocos (Keeling) Islands Shire Council's Trannies Beach tourism development proposal

GHD's 'Report for Crown Land Management Plan for the Indian Ocean Territories'

Each one of these relate in whole, or part, to economic development.

However, many aspects of the above reports have been covered before. For example, in relation to the ACIL Tasman report. In October 2005 SGS Economics and Planning presented their report titled; 'Strategic Plan for the Economic Development of the Indian Ocean Territories'. Evan William, the Australian Government Administrator at the time informed me that the quotation for this report was \$80,000. This report also included socio-demographic sections for the Cocos (Keeling) islands and Christmas Island, similar to the work undertaken by Urbis.

A number of interesting factors come from a review of the ACIL Tasman report. Firstly, nowhere in the bibliography is there a mention of the SGS Economics & Planning report. No documentation from the Cocos (Keeling) Islands Shire Council is identified in the bibliography. This is a rather telling fact seeing that the Cocos (Keeling) Island Shire Council is one of the two key economic facilitators in relation to the Cocos (Keeling) Islands.

ACIL Tasman made a recommendation (page xii of the executive summary of their report):

"Establishment of a development corporation (possibly based on the newly created Regional Development Australia model) to assist economic development on Christmas Island post mine closure and more generally on the Cocos (Keeling) Islands".

At the October 26, 2006, Ordinary meeting of the Cocos (Keeling) islands Shire Council a recommendation was passed that stated:

“That the Council endorses the establishment of an Indian Ocean Territories Economic Development Association comprising equal numbers of representatives of the Shire of the Cocos (Keeling) islands and the Shire of Christmas Island”

A similar resolution was passed by the Shire of Christmas Island.

The Australian Labor Party prior to the 2007 election had a stated policy for the development of an Indian Ocean Territories Economic Development Association.

None of these recommendations was followed by the AGD. In December 2008, the Minister for Home Affairs appointed an Economic Development Officer (EDO) for the Territories. The EDO is assisting the local communities, industry and governments to build capacity and skills with a view to sustaining and developing business and other economic ventures.

The EDO will be assisted by an Economic Development Consultative Group for each Territory. The Groups will be chaired by the Territories' Administrator and will provide a formal link between the local communities and the EDO.

Refer comments on the EDO on the following section.

It would be interesting to obtain from the AGD the amounts paid for all of the above consultancy reports, and the annual cost for the EDO, and compare this to actual feet on the ground projects achieved.

3 Tunnel Vision and Economic Development

The two key facilitators, the Cocos (Keeling) Islands Shire Council and the AGD both submitted submissions to the Inquiry.

The Cocos (Keeling) Islands Shire Council's submission, which addressed the six points that related to the Inquiry's terms of reference, consisted of 4 pages only. By contrast the submission that was prepared by myself as Shire President, and the former of CEO of the Cocos (Keeling) Islands Shire Council, Bill Price, in July 2005, for the Joint Standing Committee on the National Capital and External Territories for the Inquiry into Current and Future Governance Arrangements for the Indian Ocean Territories consisted of 89 pages.

The section of the Cocos (Keeling) Islands Shire Council's submission that dealt with economic development consisted on 107 words, of which 26 words dealt with tourism development. No other form of economic development, land based (e.g. coconut oil, coconut timber, noni fruit, horticulture, hydroponics, nurseries, West Island farm site, small business development etc) or marine resources (e.g. clam farming, black lip pearls, sea cucumber, marine tourism etc) was addressed. No details were provided on tourism development projects.

Economic indicators as at September 22, 2009 (Exchange rate of Australian dollars to US dollar – Aust\$87.33, the price of the barrel of crude oil – US\$71, and the price of gold, US\$1.015 per ounce, are negative indicators for current strategies being pursued for economic development for the Cocos (Keeling) Islands.

As the Cocos (Keeling) Islands Shire Council, which owns 6/7ths of the land on Cocos, and within its local government boundaries have an unemployment rate estimated at approximately 60%, a submission of the nature that was submitted is not acceptable, particularly in relation to issues of economic development and climate change. However, this appears to be standard practice in relation to economic development issues. In the bibliography that was attached to ACIL Tasman's consulting report, commissioned by the AGD, 'The Economy of the Indian Ocean Territories – Economic Development Opportunities for Christmas Island and the Cocos (Keeling) Islands', did not include one reference to any document prepared by the Cocos (Keeling) Islands Shire Council. By contrast the bibliography referred to 4 documents prepared by myself.

In relation to economic development in the Cocos (Keeling) Islands the AGD's submission, outside of comments on infrastructure and the role of the Economic Development Officer, and associated issues, the only issue addressed was as follows:

"The Australian Government is assisting the Shire of Cocos (Keeling) Islands to attract an experienced developer to build and operate a resort on West Island. The Shire has asked interested parties to submit a proposal for a resort. The Shire has received a number of proposals and is currently evaluating them".

There was no mention of the AGD's role with service delivery agreements with the Western Australian Government that impacted upon economic development, such as the service delivery agreement with Fisheries WA.

I note that the Cocos Islands Cooperative Society Ltd, the largest employer in the Cocos (Keeling) islands, and the provider of many essential services, made no submission to the Inquiry.

In giving evidence before the Inquiry, Simon Millcock, the Economic Development Officer 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 identify and develop opportunities to attract new investment and also new residents. 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"

The function was previously undertaken by the Cocos (Keeling) Islands Economic Development Association Inc, and the Christmas Island Economic Development Committee Inc, both community based organizations that were established through the efforts of Senator Ian MacDonald, a previous Minister for Local Government and Territories, as part of the Regional Australia campaign. Each of these associations prepared strategic plans as part of their funding arrangements.

The current Economic Development Officer possesses enormous expertise and experience, and this is being wasted by the AGD in relation to the role as defined by him. He was the executive officer of the Sturt ACC, and the ACC are transitioning to the RDA model. The RDA model is what is required for the Indian Ocean Territories, with the current EDO being an executive officer of an IOT RDA. There needs to be an organization that is funded by the Australian Government, but independent of the AGD.

The GHD 'Report for Crown land Management Plan for the Indian Ocean Territories' prepared for the AGD in July 2009 states:

"The large area of open, cleared space would be suitable for research into tropical plants, and with close proximity to the existing horticultural area, could provide the impetus needed to reinvigorate and reestablish the production of local produce for the Islands".

This is precisely what OnRoad OffRoad 'Development through Diversity' project was to have achieved on the West Island farm site.

However, the CEO (Simms) of the Cocos (Keeling) Islands Shire Council, has proposed to rezone the area of the southern paddock of the West Island farm site, which includes the infrastructure, as industrial (Refer Figure 1, Appendix B, of the GHD report). Effectively preventing any use of the former West Island farm site for the purposes of hydroponics, coconut oil production, nursery and noni fruit production.

4 Housing: The Myth

The Cocos (Keeling) Islands Shire Council in its submission stated:

"Overcrowding is an issue in some of the houses as it is not uncommon for 3 and 4 generations to be living under the same roof. Due to the pressure on existing utilities and limited water fresh supply, there is no potential to construct additional houses on Home Island".

I maintain an extensive data base that relates to socio-economic issues. The following is a summary of the housing/occupancy data for the Cocos Malay population on Home Island

	0 to 2 Occupants//house	3 to 4 Occupants/house	5 to 6 Occupants/ house	6+ Occupants//house	Totals
Houses	24	39	30	6	99 houses
%	25	39	30	6	100%
Population	52	136	198	48	434 residents

Currently the population for Home Island is falling,

Recently 5 houses on Home Island were unoccupied due to residents leaving Home Island permanently. 1 remains unoccupied. The other four houses were occupied by young families living previously with other family members.

Only 6 houses have 6 or more persons staying in them.

The issue that relates to utilities also has to be examined closely. The argument that current infrastructure cannot support any population increase is not sustainable. Utilities are linked to population, if the population increases, the capacity of utilities is increased to accommodate population. It should be borne in mind that any population increases are not going to be in the hundreds, so additional capacity is not going to be of a major nature. In fact currently the Home Island population is decreasing.

Wind generators

When the new power house was built on Home Island, four wind generators were installed to assist with the generation of power, For several years these wind generators have not functioned, so the power that may have been made available, has not been provided.

Waste water

There is more than adequate land at the current waste water management site on Home Island to provide for any increase required for waste water management plant infrastructure.

Water

The Australian Government will have constructed on Home Island a desalination plant to overcome issues that relate to the provision of water. So, supplementing the current water schemes, the supply of water would not be a major issue for any relative small increase in the Home Island population.

In relation to West Island approximately 10% of the houses are occupied by Cocos Malays. Once again there is a myth about housing affordability on West Island. The current values for existing homes is high.

However, the price for purchasing land at Buffet Close, is comparable to that in Western Australia. Prefabricated houses may be purchased at competitive prices, but there are additional costs for freight and construction on Cocos.

But many Cocos Malay families have purchased homes in Western Australia, with a value of between \$400,000 to &500,000.

More Cocos Malays would build houses on West Island if economic development occurs and which would provide employment for their children. They would prefer to see their children return to Cocos, live on West Island, rather than the Australian mainland.

Vision 2010 of the Cocos (Keeling) Islands Shire Council highlighted this very issue, and the potential for another housing development on West Island, but in the last 18 months no effort has been made to advance this issue by the Cocos (Keeling) Islands Shire Council.

5 Employment and Skills

5.1 Unemployment/Underemployment

From the same data base that was used for housing information that was used in the previous section, the below information has been extracted.

	Adults	Employed	Unemployed
Total adults	265	111	154
%		41.89	58.11

There are currently approximately 265 Cocos Malays between the ages of 19 and 65 on Home Island. Of these 111 are employed. The balance of 154, 58% are not employed. The figure of 111 includes people who are casually employed,

and who may when not employed receives Centrelink benefits, and thus increases the unemployed percentage.

The 154 who are not employed may not show up in the ABS statistics for unemployed for the simple reason that their partner's income levels may deny them access to Centrelink benefits.

5.2 Skilled Workforce

The Cocos (Keeling) Islands Shire Council in its submission stated:

"The shortage of available and affordable housing on West Island has a significant impact on being able to attract essential trades people to Cocos, consequently Cocos is without the services of an electrician to undertake maintenance and new work. This necessitates the hiring of electricians from the mainland to undertake electrical installations".

Saeed Amin in his submission stated:

"c, d and e: for the past two years the island has been without an electrician. We have a plumber on the island but only because he is the husband of a teacher. Once again despite on-going requests to Commonwealth no provision has been made to ensure the island has enough tradesmen for the island to function"

In the seven families that have left Home Island in less than the last 2 years have been one licensed plumber gas fitter, two electricians, two motor mechanics and skilled plant operators.

The plumber was originally employed by Assets Services, an Australian Government agency. When the Australian Government decided to privatize Assets Services Australia wide the plumber was made redundant. He established himself as private business, but the volume of work could not support him, his wife and three children, and he subsequently took a position with Water Corp. However, due to the lack of employment opportunities on Cocos for his three children he has relocated to Western Australia.

The two electricians, husband and wife, also attempted to run a private business on Cocos, but the volume of work could not support them, and their two children. So they relocated to Western Australia. A similar story relates to the two motor mechanics and the plant operators.

The use of electricians and plumbers from Western Australia, Christmas Island, or as the partners for people employed on Cocos, is history repeating itself. This has occurred on a number of previous occasions , and ceases when project work

dries up, and the trades persons depart, or the partner ceases to be employed on Cocos.

The Cocos (Keeling) Islands Shire Council and the Cocos Islands Cooperative Society Ltd employ tradesmen as motor mechanics, plumbers, carpenters and a electrician. However, there has only been one apprenticeship offered as a motor mechanic by the Cocos (Keeling) Islands Shire Council.

There is currently a Cocos Malay electrician, who is also an electrical contractor, who due to lack of work, has taken on a position with the Cocos Islands Cooperative Society Ltd as a store man. There is also a Cocos Malay refrigeration mechanic who has established his own business, but is having to compete against refrigeration mechanics bought in from Western Australia, for example, the air conditioning of the Home Island cyclone shelter by the Cocos (Keeling) Islands Shire Council.

The issue of having dedicated trades men can only be overcome by having economic development which will support, in the long term, such private businesses, but this is in the hands of the key facilitators, the Cocos (Keeling) Islands Shire Council and the AGD.

6 The Battle Continues: Pulu Cocos Resort

In relation to this issue I refer you to the attached letter from Silverfox Corporation Pty Ltd to Melinda Lymon, the Acting CEO of the Cocos (Keeling) islands Shire Council, dated September 16, 2009. One has to pinch oneself to see if the situation is real, or just a bad dream.

Silverfox Corporation Pty Ltd

January 16, 2009

The Cocos (Keeling) Islands Shire Council
Home Island
Cocos (Keeling) Islands
Indian Ocean. 6799

Attention

Acting Chief Executive Officer
Melinda Lymon

Reference: Pulu Cocos Resort

Thank you for your letter of September 7, 2009 that related to the review of the Pulu Cocos Resort business plan by Arup for a cost of \$27,486.00.

On the morning of July 21, 2009, timed 8.22am, I received the below email from Michael Simms, the Chief Executive Officer of the Cocos (Keeling) Islands Shire Council.

From: [Michael Simms](#)
To: ['Ron Grant'](#)
Sent: Tuesday, July 21, 2009 8:22 AM
Subject: Public Meeting

Ron

As mentioned in last week's Atoll, GHD will be conducting a public meeting in the Home Island Cyclone Shelter at 2.00pm today. The meeting is part of the consultation process in regard to the proposed Crown Land Management Plan (CLMP), and part of this plan involves the proposed realignment of Sydney Highway in the vicinity of the Rumah Baru road junction, this realignment may have an impact on the setback of the proposed Pulu Cocos Resort.

You may wish to attend this meeting.

Regards

Michael Simms
Chief Executive Officer
Shire of Cocos (Keeling) Islands

To say that I was totally surprised by the comment:

“and part of this plan involves the proposed realignment of Sydney Highway in the vicinity of the Rumah Baru road junction, this realignment may have an impact on the setback of the proposed Pulu Cocos Resort”.

would be a gross understatement.

I attended the public meeting and was further surprised to hear Michael Simms, the CEO, in his comments to those attending the public meeting, referring to the Attorney General’s Department’s ‘Report for Crown Land Management Plan for the Indian Ocean Territories’, July 2008, as follows:

Page 6:

“A large segment of Sydney Highway road reserve is currently considered too narrow, as the reserve of the northern end of West Island and also the settlement area is approximately 20m in width. The middle segment narrows and is barely wide enough to contain the current road width. The reserve width should be consistent at 20m for the length of the Island. A realignment of part of Sydney Highway is considered suitable, extending approximately 200m north and approximately 1,000 metres south from the Rumah Baru access road to remove coastal erosion threats and to provide approximately 800 metres of leasable land with coastal frontage for the benefit of the Shire”.

Appendix B

Land suitability map – Cocos (Keeling) Islands

This map clearly shows the realigned Sydney Highway running through the proposed Pulu Cocos Resort site.

In addition the GHD representatives, and Michael Simms, stated that current, and future utilities, would also be realignment with the proposed realigned Sydney Highway. Currently these include power, and telephone. Other utilities that may also be incorporated are water and sewage.

The Attorney General's Department's 'Report for Crown Land Management Plan for the Indian Ocean Territories', July 2008, prepared by GHD, was comprehensive, and it was obviously a joint effort from GHD, the Attorney General's Department and Michael Simms, the CEO. There were land suitability maps, which incorporated land owned by the Cocos (Keeling) Islands Shire Council, and the proposed adjusted were referenced back to the Cocos (Keeling) Islands Shire Council's Town Planning Scheme. Also issues of rezoning were incorporated. It was obviously that Michael Simms, the CEO, had had extensive input into the document, over a period of at least several months.

At a meeting of the Cocos (Keeling) Islands Shire Council. On June 3, 2010, Michael Simms, the CEO, requested an independent review of the Pulu Cocos Resort business plan, which had been submitted in January 2009.

At no point in time, prior to Michael Simms' email of July 21, 2009, had he contacted me to advise of the realignment of the Sydney Highway. I find his approach to this issue totally unacceptable, and unprofessional, for the following reasons:

- 1 The proposed realignment of the Sydney Highway through the proposed Pulu Cocos Resort site impacts for the following reasons:
 - 1.1 The site plan and infrastructure for the Pulu Cocos Resort was based upon no realignment of the Sydney Highway.
 - 1.2 As yet Michael Simms, the CEO, has yet to provide the precise details as to the proposed Sydney Highway realignment, and the timing of the realignment.
 - 1.3 A similar comment holds true for current infrastructure, and possible future services.
 - 1.4 Once the precise details of the Sydney Highway, and infrastructure realignments are known then the site plan for the Pulu Cocos Resort will have to be completely redone, as only then will the available space be known for the resort buildings, and related infrastructure. This will

obviously impact upon projected expenditure, projected revenue and projected investment levels.

- 1.5 The infrastructure requirements for the Pulu Cocos Resort, based upon the realignment of current services, and futures services, will impact upon the Pulu Cocos Resort infrastructure for power, communications, water and sewage.
- 1.6 Each of the above will require major amendments to the Pulu Cocos Resort business plans, which will then have to be incorporated into the 5 years financial projections, that have been previously done.
- 1.7 Similarly all of the above will have to be incorporated into the Environmental Impact Assessment that had been completed for the Pulu Cocos Resort, and which was submitted to Michael Simms, in February, 2009.

The above will take a period of at least 2/3 months, as many issues will have to be referred to contractors.

Until such time as the above has been finalized there is no point in having Arup review the current business plan. Upon finalization of the above I have no objection to Arup reviewing the business plan, but it will have to be resubmitted to them for quotation, as there could be major revisions to the business plan, which may impact upon the fee to be charged

I will be extremely blunt. I believe once again, that the standard of openness, transparency, and accountability, that one would expect from a local government authority, and in particular a CEO, has not been met. Having had a long career as an elected member in local government I find such attitudes totally unacceptable. I discussed the GHD public meeting with a number of councilors, and they were not aware of the realignment of Sydney Highway, and its impact on the Pulu Cocos Resort, or the proposal from Michael Simms, the CEO, that a major portion of the Cocos Farm site was proposed to be rezoned as industrial, prior to the meeting.

I am still awaiting from the Cocos (Keeling) Islands Shire Council the precise details of the realignment of Sydney Highway, and related services.

Regards

Ron Grant

Director.

Copies: Councilors