

AUSTRALIAN GOVERNMENT RESPONSE
TO THE REPORT ON
INQUIRY INTO THE CHANGING ECONOMIC ENVIRONMENT IN THE
INDIAN OCEAN TERRITORIES
BY THE
JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES

**MINISTER FOR REGIONAL AUSTRALIA, REGIONAL DEVELOPMENT AND LOCAL
GOVERNMENT**

OCTOBER 2011

Note: As part of the Administrative Arrangements Orders released on 14 September 2010, responsibility for matters dealing with Christmas Island and the Cocos (Keeling) Islands now falls to the Department of Regional Australia, Regional Development and Local Government.

Recommendation 1

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.

Support. To date, the Shire has been reluctant to take a leadership role in economic development on Christmas Island. The Department of Regional Australia, Regional Development and Local Government has not allocated specific funding to the Shire for this task, but the Shire receives annual funding which in the 2010/2011 financial year was \$2.839 million. The Shire has the ability to allocate this funding according to its priorities. The government has previously funded studies on developing tourism (The Christmas Island Destination Development Report of April 2008). The Territories Division, as part of the Department of Regional Australia, Regional Development and Local Government is also involved in the Inter-Departmental Committee for National Long Term Tourism Strategy and through this will pursue access for the Territories to training, mentoring and advertising.

There is currently no need for the funding of specific secretariat support to the Shire for the purpose of tourism development.

Recommendation 2

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.

Support. The Department of Regional Australia, Regional Development and Local Government has allocated funding for a Social and Economic Impact Assessment of the operation of the Christmas Island Immigration Detention Centre on the local community, which will include economic modelling. The project has commenced and will be undertaken with input from the Department of Immigration and Citizenship.

Recommendation 3

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.

Support. The Department has explored on-island options for collecting the data. However this was not successful. The Department is now considering other methods to collect data in line with the ABS "basket of goods" to enable analysis of cost of living trends and comparisons for both Christmas Island and the Cocos (Keeling) Islands.

Recommendation 4

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.

Support. The Department of Regional Australia, Regional Development and Local Government and The Treasury are working together on the extension of the operation of Corporations Law to the Indian Ocean Territories. A community consultation process is currently underway. The Administrator of Christmas Island and the Cocos (Keeling) Islands, as chair of the Economic Development Consultative Groups (EDCG), is leading consultation with relevant stakeholders on both Christmas Island and the Cocos (Keeling) Islands.

Feedback received from the communities on Christmas Island and the Cocos (Keeling) Islands will inform any further consultation to be undertaken with parties directly affected by the extension of Corporations Law to the Territories and amendments to the legislation will be undertaken where required.

Recommendation 5

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.

Support. It is Government policy to pay invoices within 30 days. The Department of Regional Australia, Regional Development and Local Government makes every effort to comply with this policy.

Recommendation 6

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.

Do not support. Occupational Health and Safety inspections and compliance are provided by Worksafe WA under a Service Delivery Arrangement. Worksafe WA inspectors regularly travel to the Indian Ocean Territories to conduct inspections. A permanent inspector is not needed and not consistent with comparable remote communities on the mainland.

Recommendation 7

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.

Support. The Indian Ocean Territories are subject to the same building code that applies throughout mainland Australia: the Building Code of Australia. The provisions of the Code are appropriate to a range of environments, including coastal and tropical climates.

The code only applies different standards to regions with different perceived risk of cyclone or high wind action, as determined by Australian Standard 1170.2:2002. The Standard rates the Cocos (Keeling) Islands as region B (cyclonic) and Christmas Island as region C (non-cyclonic). The Standard was compiled in 2002 and it may be appropriate to reconsider these ratings with regard to current data. The Department has written to Standards Australia supporting a review of the Standard.

Requirements relating to plot ratios, car parking and limits on land use are found with the Town Planning Schemes of each Territory. The Schemes are the responsibility of the relevant local governments and are compiled through the same process as is used in remote and regional Western Australia. Both the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands are in the process of reviewing their Town Planning Schemes.

Recommendation 8

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.

Noted. The Australian Government provides funding for an economic development officer for the Indian Ocean Territories. The officer works with the Shires on local issues, however, is attached to the Indian Ocean Territories Administrator for funding and oversight purposes. Both Shires have access to the services of the economic development officer.

Recommendation 9

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.*

Do not support. The Australian Government has Commonwealth Grants Guidelines that are designed to ensure probity in the administration of grants programs. These guidelines require decisions about discretionary grant funding to be made by Commonwealth Ministers or delegated senior officials after receiving agency advice on the merits of the grant application. The Department of Regional Australia, Regional Development and Local Government complies with these guidelines and submits applications for grant funding to the Minister for Regional Australia, Regional Development and Local Government.

Noted. Dissolution of the former Indian Ocean Territories incorporated advisory bodies is a matter for the membership of those bodies.

Recommendation 10

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

Support. The Department of Regional Australia, Regional Development and Local Government has completed a review of the economic development grants program, including related policy and processes. The review included 7 recommendations for streamlining and further developing the economic development grants program. The review contains input from relevant stakeholders.

The Department commenced new arrangements as of 1 July 2011, including reviewing the Terms of Reference for the Economic Development Consultative Groups, increasing the amount of funding available through the program to \$150,000.00 and implementing a complaints process, dispute resolution process and an appeals process.

Recommendation 11

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.

Support. Following a review of the economic development funding program, the Department of Regional Australia, Regional Development and Local Government has increased the amount available under the program to \$150 000 per annum for each of the Indian Ocean Territories. This will enable applicants with larger projects to apply for funding through the program.

Recommendation 12

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.

Noted. The Indian Ocean Territories Taskforce has commissioned WA Main Roads to undertake a feasibility study on the road to North West Point. The study has been completed. The Shire of Christmas Island has negotiated funding support to maintain the road with the Department of Immigration.

Recommendation 13

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.

Support. Local governments are required to have a designated complaints officer under the *Local Government Act 1995* (WA) (CI) & (CKI). Local governments are encouraged to supplement this position with a complaints process and policy. These are useful mechanisms for improving customer service and identifying and responding to problems.

As this is a core function of local government, it should be funded from with existing operating budgets.

Recommendation 14

The committee recommends the Government examine the feasibility (including cost and security considerations) of implementing a tourist or short stay visa waiver scheme to encourage international tourists to visit the Indian Ocean Territories.

Do not support. Australia has a universal visa requirement for all non-Australian citizens intending to enter Australia. Australia's visa system is non-discriminatory and visitors from anywhere in the world need to apply for a visa.

Australia is committed to facilitating the movement of people across the Australian border, while protecting the community and maintaining appropriate compliance. Australia does not operate a visa waiver program for any country and our visa arrangements are not based on reciprocity.

Recommendation 15

The committee recommends the Steering Committee responsible for implementation of the Christmas Island tourism plan in consultation with the Attorney-General's Department, develop a service delivery arrangement with Tourism Australia to review, revise and implement the Christmas Island Destination Development Report.

Support. The Department of Regional Australia, Regional Development and Local Government supports the operation of the Steering Committee. However, the Steering Committee has not met for some time and has not taken an active role in developing the tourism market on Christmas Island.

The Department of Regional Australia, Regional Development and Local Government continues to support tourism in the Indian Ocean Territories through funding both the Christmas Island and Cocos (Keeling) Islands Tourism Associations to provide destination marketing, visitor information services, member support and other initiatives. Both Associations are implementing their recently completed destination marketing plans.

The Christmas Island Destination Development Report still provides a basis for tourism growth. It is used by organisations and individuals including the Economic Development Officer, employed through the Department, and the two economic development consultative groups to promote tourism opportunities.

Additionally, the Indian Ocean Territories are part of the Mid-West Gascoyne Regional Development Australia committee who in conjunction with the Department of Regional Australia, Regional Development and Local Government are funding various tourism initiatives for the Indian Ocean Territories.

Recommendation 16

The committee recommends the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands in consultation with the Attorney-General's Department, explore the viability of establishing sources of renewable energy to supplement the power needs of the Indian Ocean Territories, taking into consideration infrastructure requirements and costs.

Support. The Indian Ocean Territories Power Authority continues to investigate possible alternative energy sources in the Indian Ocean Territories. A report has been received and the recommendations are being considered. This information will be used in future capital and infrastructure planning.

Recommendation 17

The committee recommends the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands in consultation with the Attorney-General's Department, draft and implement a land release and development plan to attract investment and stimulate the construction industries of the Indian Ocean Territories. In addition, the Attorney-General's Department should provide ongoing adequate funding for secretariat support for this purpose.

Noted. The Department of Regional Australia, Regional Development and Local Government has completed a Crown Land Management Plan Report, which will be used to guide land management decisions. The Department of Regional Australia, Regional Development and Local Government has also commissioned Outline Development Plans for high value areas in the Territories, such as the Q Station, CI Light Industrial Area, Poon Saan residential area and Buffett Close extension. The Department of Regional Australia, Regional Development and Local Government is in the process of releasing land on Christmas Island for both residential and commercial use. Most land on the Cocos (Keeling) Islands is under the control of the Shire, through the Cocos Land Trust arrangements.

Any disposal of Commonwealth land, must comply with the Commonwealth Property Disposals Policy.

Recommendation 18

The committee recommends that the Commonwealth transfer ownership of the accommodation and facilities located at the former Quarantine Station site on West Island to the Shire of Cocos (Keeling) Islands to ease pressure on housing supply.

Do not support. The Government acknowledges a shortage of housing exists on West Island in the Cocos (Keeling) Islands. The majority of land in the Cocos (Keeling) Islands, including land on West Island, is held on trust by the Shire of Cocos (Keeling) Islands for the benefit of the Cocos community.

The Government does not support transferring the former Quarantine Station site on West Island to the Shire of Cocos (Keeling) Islands. In the short term, the accommodation buildings at the former Quarantine Station are being used to house the workers for the Rumah Baru port project. Once this project is completed, the Department of Regional Australia, Regional Development and Local Government expects the accommodation buildings to be used by workers for the runway refurbishment project. Storage buildings at the former Quarantine Station are being used by the Shire of Cocos (Keeling) Islands.

The Department of Regional Australia, Regional Development and Local Government recently completed an Outline Development Plan (ODP) for the former Quarantine Station site. The ODP acknowledged that, in the first instance, residential development on West Island should occur closer to the settled area to take advantage of existing infrastructure. The ODP proposed a number of options for the former Quarantine Station, which were developed in close consultation with the Cocos community. Options include short term accommodation, but not residential accommodation.

The Department of Regional Australia, Regional Development and Local Government is in the process of building housing on Commonwealth owned blocks in Buffet Close. Other blocks are privately held and have not been built on. In 2010/11, the Department will commission a plan to expand Buffett Close to provide additional residential blocks close to the existing settled area.

Any disposal of Commonwealth land, must comply with the Commonwealth Property Disposals Policy.

Recommendation 19

The committee recommends that the potential effects of climate change be acknowledged as they will affect future economic development, especially on the Cocos (Keeling) Islands and that the Economic Development Consultative Groups and other stakeholders are fully briefed on these, and an appropriate risk evaluation built into any proposals relating to economic development.

Support. The Department of Regional Australia, Regional Development and Local Government is undertaking this work in close consultation with the Christmas Island and Cocos (Keeling) Islands communities. The Indian Ocean Territories Climate Change Adaptation Strategy has been developed and released for initial comment. Community consultation regarding implementation of this strategy commenced on the Islands in November. This work is ongoing and will continue to inform the Government's activities in the Territories.

Recommendation 20

The committee recommends the Department of Broadband, Communications and the Digital Economy in consultation with the Attorney-General's Department review the operation of the Australian Broadband Guarantee as it applies to the Indian Ocean Territories.

Do not support. The Australian Broadband Guarantee program has now closed. Services meeting the Australian Broadband Guarantee's defined standard for a metro-comparable broadband service are available commercially in the Indian Ocean Territories through the Christmas Island Internet Administration (CIIA).

Access to high speed broadband services will be improved in the Indian Ocean Territories with the launch of the National Broadband Network Long Term Satellite Service which is scheduled to commence in 2015. NBN Co is working to deploy two Ka-band satellites to provide access to peak download speeds of 12 megabits per second and upload speeds of 1-4 megabits per second. This represents a step-change over speeds experienced by users of these technologies today.

Recommendation 21

The committee recommends the Government subsidise improvements to the satellite link for the Indian Ocean Territories to enable improved communication links with the mainland and to assist with business and service delivery.

Noted. The government's decision to create NBN Co Limited (NBN Co) will allow all Australians to obtain access to affordable high-speed broadband services. The new services will be delivered via a range of technologies, and the Department of Broadband, Communications and the Digital Economy has advised that, in remote locations such as the Indian Ocean territories, the National Broadband Network (NBN) will be provided via next generation satellite technologies capable of delivering peak download speeds of at least 12 megabits per second.

Next-generation satellite technologies are capable of providing excellent broadband services in areas with low population density and will provide vastly superior satellite broadband services to those available today.

NBN Co is progressing the development and rollout of next-generation satellite broadband services. On 20 December 2010, NBN Co released its Corporate Plan which indicates that it will take approximately four years to design, build and launch two next generation Ka-band satellites. NBN Co anticipates long term satellite services commencing in financial year 2015.

Whilst this process is underway, the Department of Regional Australia, Regional Development and Local Government is investigating alternatives to improve the current accessibility.

Recommendation 22

The committee recommends the Government provide assistance for the urgent upgrade of mobile telephony infrastructure and services on the Indian Ocean Territories in line with service standards available in metropolitan areas on the mainland.

Noted. Mobile telephony is currently provided by the private sector. The Department of Regional Australia, Regional Development and Local Government is considering what support might be available for these activities. However, there are significant areas of mainland Australia that do not have mobile telephony infrastructure and services to the same level as metropolitan areas.

As stated in its responses to questions on notice to the Committee in October 2009, the Department of Broadband, Communications and the Digital Economy understands the Indian Ocean Territories do not have access to mainland mobile networks. There is currently no Australian Government funding available for the extension of mobile telephony infrastructure.

The provision of mobile phone coverage in a particular area is primarily a commercial decision made by mobile phone carriers. In making the decision to extend coverage to a particular area, carriers consider a range of factors, including site availability, cost structures, likely levels of demand from users and overall economic viability of the service.

Carriers partly base this decision on how many people live and travel through the area, placing towers where there is a higher level of use. The cost to install towers in the Indian Ocean Territories could be great, especially given that the underlying infrastructure may also require an upgrade.

It may be useful for organisations or communities in the Indian Ocean Territories to identify for carriers the potential demand for mobile services in the area. Information such as current and projected growth of population, together with records of traffic volumes can be helpful in assisting carriers to make informed decisions about whether to extend coverage to certain areas.

Currently satellite mobile phone services cover the Indian Ocean Territories and are available from a number of providers. The Australian Government's Satellite Phone Subsidy Scheme improves the affordability of mobile communications for people living and working in areas without handheld terrestrial mobile coverage, by providing subsidies for the purchase of satellite phone handsets.

As there is no reliable terrestrial mobile coverage in the Indian Ocean Territories, people who permanently live there or spend significant amounts of time on or around the islands are eligible to apply.

Recommendation 23

The committee recommends the Government explore the possibility of funding 'self help' transmitters in the Indian Ocean Territories to enable live sporting events to be received.

Noted. The Department of Regional Australia, Regional Development and Local Government currently provides a range of analog radio and television services to the Indian Ocean Territories as a community service. The television service features the same content that is currently transmitted in analog to regional and remote Western Australia by the commercial and national broadcasters. This means those served by the community television service provided by the Department have access to a similar level of live sports coverage that is available to regional and remote Western Australian analog television viewers.

The Territories have been included in the national plans for the transition to digital television. This will roll out via the Viewer Access Satellite Television (VAST) service, with a government subsidy scheme for individual households. The transition from analog to digital television across Australia is due for completion by the end of 2013. The subsidy will be available to Territories' viewers in November 2012, at the same time as Western Australia. The Territories are scheduled to have full access to digital television, utilising the satellite installation subsidy, between November 2012 and the end of 2013. Digital television provides viewers with access to 16 channels, some of which feature sports coverage not available to analog television viewers.

Recommendation 24

The committee recommends the Government provide a subsidy aimed at reducing the cost of sea freight and shipping services for the Indian Ocean Territories.

Do not support. The Government has not considered offering a subsidy on sea freight for the Indian Ocean Territories and does not consider that the Tasmanian Freight Equalisation Scheme (TFES) is an appropriate model for any such general sea freight subsidy. The TFES is targeted at goods of Australian origin shipped to Tasmania as inputs to production for selected industries only and for goods transported to mainland Australia from Tasmania (but not for international export). TFES does not assist the movement of fuel or private consumables such as household goods or food.

Further, under Part VI of the *Navigation Act 1912*, ships carrying domestic cargoes across Bass Strait are required to obtain a coasting trade licence or permit – licences require that crew are paid Australian wages and permits are only issued when a licensed ship is not available. In contrast, the carriage of cargo or passengers between Cocos (Keeling) Islands or Christmas Island and ports in the Commonwealth or Territory are exempt from the provisions of Part VI of the *Navigation Act 1912*. The exemption of Cocos (Keeling) Islands has been in place since 28 June 1956 and the exemption of Christmas Island has been in place since 1998.

The Government already provides significant support in the form of subsidised port fees and an underwritten air service that includes freight.

Recommendation 25

The committee recommends the Government continue to underwrite domestic air services to the Indian Ocean Territories in response to demand for services.

Support. The Government engaged Virgin Australia on 1 April 2010 to provide an underwritten air service to the Indian Ocean Territories for the next three years, with an option to renew for a further two years. This service currently consists of three flights a week from Perth to Christmas Island and the Cocos (Keeling) Islands on Tuesdays, Fridays and Saturdays. A fourth flight also operates between Perth and Christmas Island on Thursdays.

To meet the Indian Ocean Territories freight demand, the Department is investigating the introduction of a dedicated air freighter to service both Christmas Island and the Cocos (Keeling) Islands. A dedicated fortnightly air freighter service, using a 737-300, currently operates between Perth and Christmas Island.

Recommendation 26

The committee recommends that cabotage restrictions should be removed for the Indian Ocean Territories (IOTs) and that prior to this the Government undertake an assessment of the infrastructure and administrative requirements for the IOTs, taking into consideration asset and funding needs, and time frames for upgrades and restructures particularly in regard to the runway and immigration facility upgrades.

Noted. In 2009, the Australian Government released the National Aviation Policy White Paper (White Paper), which provides a comprehensive long-term aviation policy framework for the Australian aviation industry. The Government's position on cabotage is discussed at page 44 of the White Paper, which provides that:

'As a general rule, the Australian Government does not intend to permit cabotage. [However]...the Government may consider unilateral cabotage in exceptional circumstances: for example...on a more long term basis when a foreign carrier may seek to operate on a route which is not currently served by scheduled domestic airlines or which requires a government subsidy (such as routes between some of Australia's external territories and the mainland).'

Noting the variety of possible costs and benefits the Joint Standing Committee's Report has identified in the event of removal of cabotage restriction for the Indian Ocean Territories, any application to allow a foreign operator to carry domestic passengers would only ever be considered on a case-by-case basis. Safety is the Government's first aviation priority, and any decision to grant cabotage to a foreign airline would only be taken should exceptional circumstances exist and after full consideration, assessment and agreement by Australia's aviation safety regulator, the Civil Aviation Safety Authority.