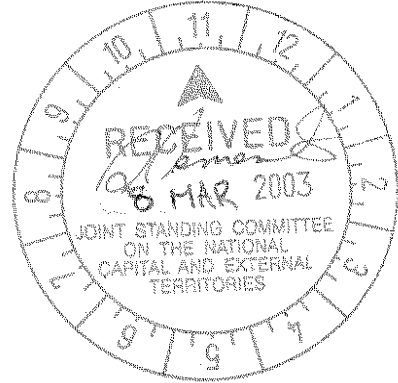


**JOINT STANDING COMMITTEE ON THE
NATIONAL CAPITAL AND EXTERNAL TERRITORIES**



**DEPARTMENTAL RESPONSE TO
QUESTIONS TAKEN ON NOTICE ON
11 DECEMBER 2002**

**JOINT STANDING COMMITTEE
ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES**

DEPARTMENT: Department of Transport and Regional Services

DIVISION: Territories & Local Government

REFERENCE: Review of the Annual Reports of the Department of Transport and Regional Services 2000-2001 and Department of the Environment and Heritage 2000-2001 (Australia's external territories)

Specifically the Committee requests information on the following for both territories:

- Progress of capital works;
- The normalisation process;
- Proposals for health and education;
- Outsourcing and privatisation issues;
- Governance issues and future proposals; and
- Cocos (Keeling) Islands ferry charges and ferry privatisation proposals.

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I. PROGRESS OF CAPITAL WORKS

Christmas Island

\$7.33 m is the forecast commitment in 2002/2003 for Capital Works on Christmas Island.

The major project is the new Two-Storey Classroom at the Christmas Island District High School. This contract was awarded to Duwal for \$3.36m and has now been completed.

The other major Capital Works project is the demolition of the old warehouse at the wharf on Flying Fish Cove and reinstatement of the paving to match the recently completed wharf pavement upgrade. The contract for this work was awarded to Consolidated Constructions for \$1.6m. Work is well advanced on this project with expected completion in March 2003. Additional security fencing to establish a dedicated port precinct is also being funded.

A listing of the approved Capital Projects for 2002/03 is at Attachment A. Consolidated Constructions are also contracted to build the Additional Port Facility at Norris Point. The contract was awarded for \$3.1m. Work is expected to be completed by the end of March 2003.

The next phase of works is to finalise the selection of a new crane at Flying Fish Cove and complete work and the erection of the existing Favco Crane at the new Additional Port in time for the next Swell Season (November 2003).

Cocos (Keeling) Islands

\$6.9 m is the forecast commitment for Capital Works in 2002/2003 on Cocos (Keeling) Islands.

The offshore passenger and freight handling facility at Rumah Baru is the major project. Other projects of significance include completion of the vacuum sewerage systems on both Home and West Islands, the installation of two new water galleries (one on each Island) and the restoration of permanent power on Home Island following the fire which destroyed the Station in 2001.

Rumah Baru

Six Contractors expressed interest in the Rumah Baru Project. Three contractors Clough Engineering, John Holland and Leighton Contractors withdrew prior to the close of tenders on 4 February 2003.

All bids were well in excess of the funds available (\$16 million had been identified in the Capital Works Budget). Regional Office Perth has now revised the Scope of Works and cleared the practicalities and functionality of the reduced scope through Western Stevedores (The Harbour Managers). Regional Office Perth has arranged to go back to the original 6 contractors for bids on the revised scope of works. This is expected to take 3 weeks.

The next phase of the work is to complete the tenders for the construction of the Passenger and Freight Handling Facility at Rumah Baru. Should the project proceed, it is expected to take some 18 months to complete the project.

Power Station on Home Island

A Scoping Study has been completed on the options for the restoration of Permanent Power on Home Island and the Department is looking to go out to tender for the construction of a power station on Home Island by end of March 2003.

II. THE NORMALISATION PROCESS

As Non Self-Governing Territories, the Commonwealth is responsible for the delivery of 'State' level government to Christmas Island and the Cocos (Keeling) Islands. In line with this, Commonwealth policies towards the Territories are focussed on achieving service levels equivalent to those of comparable mainland communities and 'normalising' legislation, administration and institutional frameworks in preparation for an eventual closer association for the Territories with an existing State or Territory. To provide a benchmark for this normalisation process the Commonwealth is seeking to utilise the service levels of the Western Australia State. The following is a summary of recent progress in key priority areas for 'normalisation':

Expanding current service delivery

There are currently 28 Service Delivery Arrangements with WA State Government agencies for the delivery of State government type functions in the IOTs. A listing of the SDA's is at Attachment B. These arrangements are reviewed on a regular basis and include community consultation on agency performance. In the longer term the Commonwealth is seeking to develop a whole-of government arrangement for these services. In the interim, the Department continues to work towards expanding the scope of agency specific arrangements on an as needs basis.

Adopting mainland service models

As indicated above, the Department continues to work toward aligning arrangements in the Territories with those on the mainland using WA as the preferred model. It is currently focussing on adopting land management and public housing policies and practices similar to those applied in WA. The provision of fisheries management is currently being discussed with WA Fisheries following the establishment of arrangements for the waters surrounding the Territories similar to those that apply in the 'territorial waters' of the other coastal States and Territories. A General Manager for health services has been employed to implement some key recommendations of recent reviews of IOT health services to align services with mainland health policies, standards, accreditation methods, data collection, etc.

The provision of utilities and government business enterprises such as port, power and water services is similarly being reviewed to promote service standards and provision models which are comparable to state provision and consistent with broader competition and industry policy settings. This includes alignment, where possible, with WA pricing practices.

Limiting Commonwealth service delivery

The Department is looking to withdraw from non core service provision in the Territories, in particular, where a private market may exist and has recently outsourced port management on Christmas Island. Housing stocks excess to Commonwealth requirements have been offered for sale to create a private housing market in both Territories. Operation of marine services and utilities management (power and water) on Cocos (Keeling) Islands has been contracted out as well as water and sewerage on Christmas Island. A contract for the provision of 'environmental services' for the Territories was recently extended with the current service provider Ecoz and contracts have been prepared for the provision of dentist

and pharmacy services for the Territories. Other areas that are being examined include the management of the airports on both islands and the provision of cleaning and gardening services.

Encouraging Local Government service delivery

In line with the Commonwealth's commitment to normalise governance arrangements on the islands, the Commonwealth is seeking to ensure that the role of local government in the Territories reflects that of local government elsewhere in Australia. In this respect the Department is currently examining options to:

- transfer in freehold land and assets to the Shire where appropriate;
- encourage the Shire to take an active role in supporting community services like the community radio service; and
- identifying, in discussions with Councils, other opportunities for an increased role for local government.

This process will attempt to better delineate the roles and responsibilities of the Commonwealth as the 'State' level government and the Shires as local government.

Strengthening the community

To provide the Territories with the same rights and responsibilities as comparable mainland communities, the Department of Transport and Regional Services seeks to encourage community-based and community-driven solutions to Territory issues to increase the communities self reliance. The Department is working to increase the community's ability to be self-reliant by measures including:

- transferring land and assets in freehold to community bodies;
- developing a private market for real estate eg direct dealing and identification of land for future developments;
- supporting the Economic Development Committees to encourage community-based economic development initiatives and diversification and expansion of the island economies;
- introducing fee-paying Year 11 and 12 schooling on Christmas Island;
- supporting the establishment of a community-driven child-care centre on Christmas Island by providing finances and a regulatory role;
- introducing fees for bus and ferry services on the Cocos (Keeling) Islands; and
- examining appropriate areas of the Administrations which can be delivered by external parties.

Normalising administration

The Department is exploring avenues for reforming administrative arrangements, including possible changes to the roles of the Administrations so that the Commonwealth's on-island presence reflects that of comparable mainland communities.

Mainstreaming Commonwealth legislation/programmes

Commonwealth legislation and programmes have been progressively applied in the Territories. Recent agreement with other portfolio agencies has seen:

- Australian Customs Service assume responsibility for the direct provision of relevant services in the Territories;
- changes in fisheries management arrangements with the waters surrounding the Territories being declared 'excepted waters' and now having similar arrangements to the 'territorial waters' of other States and Territories;
- discussions progressing with AQIS concerning an amendment to the *Export Control Act* to facilitate advice, assistance and certification of Territory exports and the encouragement of overseas markets for Territory produce;
- an amendment to extend the *Quarantine Act* to the Territories currently before Parliament for consideration.

Commonwealth Budget for the Indian Ocean Territories

Currently, funding arrangements for the Indian Ocean Territories are established on the basis of the findings of the Commonwealth Grants Commission's (CGC) Report on the Territories 1999.

Under the CGC agreed funding formula for the Indian Ocean Territories, funding for the 2002-03 financial year is budgeted to be \$57.46 m. The major expenditure components are:

	<u>\$ million</u>
Government Service Delivery Arrangements:	
WA Government	\$ 5.10
Australian Federal Police	\$ 1.60
Education	\$ 10.00
Local Government Grants	\$ 4.50
National Jet Systems	\$ 2.50
Cocos (Keeling) Islands Administration	\$ 7.60
Christmas Island Administration	\$ 22.69

Note: Budgeted expenditure for 2002-03 will slightly exceed the CGC funding base requirement.

III. PROPOSALS FOR HEALTH AND EDUCATION

Christmas Island

Health

The Indian Ocean Territories Health Service (IOTHS) provides health services to both Christmas Island and Cocos (Keeling) Islands. The IOTHS is funded and managed by the Commonwealth through the Christmas Island Administration. Contracted specialist and secondary services from Western Australia provide essential support services.

The health facilities are modern and well equipped. CI hospital is designed for a population of 10,000, is relatively new and under utilised. There are often no inpatients and those admitted generally require few interventions.

On C(K)I there are two health centres staffed by Registered Nurses, Health Workers and a Medical Officer during office hours. An on call emergency service is provided. Inpatient services are limited.

Visiting specialists provide a range of services, including surgery on CI. Patients may be transferred to the mainland for other specialist services, through the Commonwealth funded Patient Assisted Travel Scheme (PATS).

Since 1999 a number of reports have been produced as a result of inquiries into the IOTHS. While each had a different focus, these reports highlighted some common issues and made a number of recommendations to assist with developing a more efficient and effective health service.

After detailed consideration of these reports, as noted earlier, DOTARS has employed a General Manager, additional to current management, to assist with the re-engineering of local health services including the implementation of a number of key recommendations from the reports.

Education

School based education (from Pre-school to Year 10) has been provided under contract to the Commonwealth by the WA Department of Education since the early 1990's. A four year trial of provision of limited Year 11 and Year 12 units commenced in the 2002 school year. A new secondary wing has recently been commissioned to expand the facilities available.

The Hon Alan Carpenter MLA, WA Minister for Education, Sport and Recreation and Indigenous Affairs has written to the Commonwealth Government asking that the *Education Services for Overseas Students Act 2000* be extended to the external territories in order to allow the school on Christmas Island to attract fee paying overseas students.

The Hon Brendan Nelson MP, Minister for Education, Science and Training has advised the WA Minister his request will be thoroughly considered. Officers from

DOTARS are in regular contact with officers of the Department of Education, Science and Training and have been advised that they are currently reviewing the position.

Cocos (Keeling) Islands

Health

See above – as described, the IOTHS provides services to both Christmas Island and the Cocos (Keeling) Islands.

Education

School based education (from Pre-school to Year 10) has been provided by the WA Department of Education since the early 1970's.

The schools are resourced to meet the needs of their student populations taking into account cultural, language and remote location factors. The Commonwealth Grants Commission 1999 Report found that school based education services provided to the IOTs are comparable to that provided in mainland communities.

IV. OUTSOURCING AND PRIVATISATION ISSUES

Consistent with the Commonwealth's broad commitment to micro-economic reform, smaller government and market testing, the Department is working to review and market test areas of service delivery with a view to maximising service efficiency. It is often the case that services are enhanced, as an external provider is able to offer access to a level of technical and professional expertise that is not within the capacity of the Department.

Further, in August 2000 the Government agreed that the direct delivery of State and Local Government services is not Commonwealth core business and the Commonwealth's overall aim is to move away from the direct involvement in the delivery of such services in the IOTs. This does not mean that the Commonwealth is seeking to avoid responsibility for the provision of state equivalent services to the Commonwealth non self-governing territories. Instead, it recognises that the scale of territories service provision means the Commonwealth is unlikely to consistently have the expertise and experience of the States and their service providers in this area.

In line with this decision the Department is working with the Shire Councils responsible for Christmas Island and the Cocos (Keeling) Islands to assist them in taking on the full range of functions appropriate to local government and with State and private providers to ensure appropriate service quality and efficiency.

Services such as garbage collection, road maintenance, street-lighting and planning have largely been transferred to the Shires.

In relation to the Shires, the Department recognises that the Shires were not established with an asset base that is comparable to that of mainland shires that have accumulated significant holdings over long periods of time. This restricts their capacity to take on the range of services and to provide the service levels typical of mainland shires. The Department is negotiating with the Shires with a view to transferring, to the extent fiscally responsible, Territories assets owned by the Department that would typically be owned by the Shire.

Utilities

Historically utilities that are normally provided by State and local government were provided directly by the Commonwealth to Territories business and communities. The scale of the provision of these services made it difficult for the Commonwealth to develop the expertise or experience of the mainland providers. Service provision is progressively being reformed to overcome this problem by market testing and outsourcing management of the utilities to groups better able to provide and retain the necessary experience and expertise.

In the case of the airport and port services, specialist private sector providers have been contracted to provide the services (Western Stevedores for the ports and Westralia Airports Corporation, who manage Perth airport, the airports). The WA WaterCorp, a State business enterprise, manages water and sewerage services on CI and most of the utilities on CKI. Maintenance and operation of marine services on CKI is contracted to the Cocos Community Cooperative. While the Commonwealth

currently retains management of power generation and distribution on CI, the Western Australian Office of Energy is assessing options for future service provision.

The policies of market testing and outsourcing also play a significant role in encouraging economic development in the islands. Allowing island based businesses the opportunity to compete for services and assisting the local councils to take on the full range of appropriate functions improves employment opportunities for Territorians and positively contributes to the skill base of the IOT communities. Lower cost service provision frees up funding for other Territories priorities and reduces pressure on prices for services with flow on benefits to local business and the community.

Christmas Island and the Cocos (Keeling) Islands

Health

Over the next 12 months, the Commonwealth is considering the full range of options for the delivery of the health service, including the possibility of outsourcing. The recommendations of the health service reviews that have been undertaken in recent years all point to the fact that there is significant scope for improvement in the management and delivery of health services for the IOTs. The interests of the communities, continued local employment and an appropriate level of public health services will be high priorities in any consideration of future health service management.

In this regard, a contract for the provision of pharmacy services was signed with a private provider in December 2002 and a contract for the provision of dental services is currently being negotiated. Both contracts ensure a standard of service for IOT residents that is comparable if not better than that of like communities on the mainland.

Housing Management

The Commonwealth has been the major housing provider in the Indian Ocean Territories (IOTs) over many years and owns a substantial stock of residential properties – 192 on Christmas Island and 39 on Cocos (Keeling) Islands. Tenants include a mixture of public housing tenants, Commonwealth employees, contractors, local government employees and private sector organisations.

As part of a broader IOTs asset management and review strategy, the Department is actively engaged in an on-going program of identifying housing surplus to the Commonwealth's requirements on both Islands and where appropriate, arranging for disposal. A number of the residential properties occupied by Commonwealth officers have already been transferred to relevant Commonwealth agencies or sold with lease back arrangements. Residential properties occupied by contractors and third parties, which can be sold, are being disposed of through mechanisms such as public auction.

For public housing in the Territories, the Commonwealth is pursuing the application of WA housing policies and practices. The benefits of establishing WA equivalent housing policies in the territories is that it will give consistency and certainty to

housing management, provide a sound basis for dealing with housing matters in the future and assist in developing a stronger private sector housing market in the IOTs.

As part of this process consideration will be given to future management arrangements for public housing, possibly through Homeswest, and the use of an appropriate agent for the management of any remaining staff housing. Housing on Christmas Island for education employees is currently managed by a real estate agent on behalf of the Commonwealth.

V. GOVERNANCE ISSUES AND FUTURE PROPOSALS

Over the last decade or so, Commonwealth approaches to the Indian Ocean Territories have been based on the following principal objectives:

- a) aligning conditions and standards in the Territories with those of comparable communities in the rest of Australia;
- b) providing the residents of the Territories, over time, with rights, opportunities and responsibilities equal to those of their fellow Australians; and
- c) enhancing economic development, protecting natural and cultural heritage and delivering government services efficiently, effectively and equitably.

The Commonwealth has undertaken a number of reviews of the administration and governance of the Territories and determined that the Territories do not have the population nor economic base to support self-governing (for instance like the ACT or NT).

The Government decided in August 2000 that –

- the Commonwealth's preferred long term solution for the Territories is the incorporation of the IOTs into an existing State or Territory, with WA as the preferred option;
- the Commonwealth should progressively withdraw from the direct delivery of State type services in the IOTs (as non-core functions);
- legislative, administrative and institutional frameworks in the IOTs should be aligned with those of remote communities on the mainland (with WA as the model).

While formal incorporation of the Territories is many years away, Federal Government policies towards the Indian Ocean Territories are consistent with the aim of incorporation and 'normalisation' aimed at making the border between the mainland and the Territories as 'seamless' as possible.

Consistent with the Commonwealth's intention to reduce its physical presence in the Territories, the standard of local governance is germane to the future of the Territories. For this reason both the Department and the Territory Shire Council's are currently investigating best options for local governance and while no formal proposals have been made, discussions continue.

VI. COCOS (KEELING) ISLAND FERRY FEES AND PRIVATISATION OF SERVICES

The Commonwealth contract for providing marine infrastructure maintenance and ferry and bus services on the Cocos Islands terminates in March 2003.

When on the island in September 2002, the Minister questioned whether Commonwealth provision of transport services was the best means of providing these services to the island community. Provision of a free service by the Commonwealth prevents enterprising locals from starting a private ferry service or some other water transport service providing more flexibility in service frequency and services that are more responsive to demand. In addition, other Australians do not receive free services and providing them free does not provide customer service incentives nor encourage efficient service provision.

Accordingly, he asked the Department to consider service provision options, to test the level of interest in commercial provision of these and other marine services and to seek community views on those options.

As a first step in reforming transport services, user charges for the ferry and bus service were introduced from 1 January 2003. Commercial services and transport diversity is unlikely to emerge while there is a competing free government provided service. Consistent with mainland practice, there is no charge for school children travelling to and from school.

The Department is currently aiming to test the market for provision of all of the marine services it is responsible for over the first 6 months of 2003. The ferry service currently provided by the Cocos Co-op has already been advertised with expressions of interest requested by the end of March.



Attachment A

Christmas Island – Summary of Capital Works 2002/2003

Project	Forecast Commitment
Public Housing (Packages 2 & 3)	6,786
Power: Low Voltage Reticulation	14,205
Power: Kampong Lighting	16,000
Power Station Equipment	750,000
Water Reticulation (sub mains)	40,964
Wharf Pavement	293,244
Education: New Arts Centre	4,117
Education: New two storey classroom block	3,567,078
Education: Re-roofing	12,237
Education: Covered Assembly Area	3,645
Sewerage	32,000
Replace Wastewater Access Covers	400,000
Civil Works: Streamflow Monitoring	818
Public Toilets at Flying Fish Cove	500
Baggage Area Roof	500
New Rockfall Barrier at Flying Fish Cove	50,544
Kampong Rockfall Works	5,577
Seawall Repairs	5,519
Wharf Stabilisation & Jedda Cave Entrance	22,714
Government House Upgrade	158,025
Warehouse Demolition and Pavement Upgrade *	900,000
Security Fence at Wharf	200,000
Replacement of Motors & Gearboxes for Cargo barges	400,000
Drumsite Village - Carports & Storage Sheds	450,000
Sub Total	7,334,473

**SERVICE DELIVERY ARRANGEMENTS WITH WA AGENCIES FOR
THE DELIVERY OF STATE GOVERNMENT TYPE FUNCTIONS IN THE IOT's**

- Department for Community Development
- Department of Consumer and Employment Protection (Fair trading functions)
- Department of Consumer and Employment Protection (Worksafe functions)
- Department of Environmental Protection
- Department of Fisheries
- Department of Health
- Department of Housing and Works
- Department of Industry and Technology
- Department of Justice
- Department of Land Administration
- Department of Local Government and Regional Development
- Department of Mineral and Petroleum Resources
- Department for Planning and Infrastructure (Planning functions)
- Department for Planning and Infrastructure (Valuer-General functions)
- Department of Racing, Gaming and Liquor
- Department of Training
- Department of Treasury and Finance
- Equal Opportunity Commission
- Fire and Emergency Services Authority
- Legal Aid Commission
- Main Roads WA
- Medical Board
- Nurses Board
- Parliamentary Commissioner for Administrative Investigations (Ombudsman)
- Public Trustee
- Small Business Development Corporation
- State Library of WA- Workcover