

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

TOURISM IN THE
INDIAN OCEAN TERRITORIES

Report of the House of Representatives
Standing Committee on Environment, Recreation and the Arts

August 1990

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35th Parliament

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* The Committee of the 36th Parliament formed a sub-committee comprising Ms McHugh, Mr Webster and Mr Jenkins to complete the inquiry.

+ Dr Charlesworth replaced Mr G Gear, MP on 8 June 1990.

TERMS OF REFERENCE

That the Committee inquire into and report on tourism in the Cocos and Christmas Islands with particular reference to:

- . management, control and equity for local populations;
- . viability; and
- . environmental and social impacts.

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SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The development of tourism industries in the Christmas and Cocos Islands is necessary for the establishment of a viable economy in the two Territories. Otherwise, the Commonwealth Government will need to heavily subsidise the Islands if the local residents are to achieve standards of living and services equivalent to those available to mainland Australians. Christmas Island has some potential to develop other new industries but tourism is most likely to contribute to the establishment of a self-sustaining economy. The Cocos Islands have few options and are more likely to be dependent on tourism.

The environments of the two Territories are very different but both provide attractions to tourists. There is a potential for tourism developments in both, and scope for ventures which link the two.

The environment on Christmas Island has particular conservation significance and the need to re-establish rainforest cleared by the phosphate mining is a priority regardless of whatever industry is established. The Committee recommends that:

- (1) the Commonwealth Government provide sufficient resources to the Australian National Parks and Wildlife Service to ensure rehabilitation of rainforest on Christmas Island. (*Paragraph 1.51*)

There are significant financial constraints inhibiting tourism development. There are also major infrastructure problems, particularly the lack of scheduled regular passenger air services. If these constraints can be overcome it appears that there is interest from tourism developers in establishing ventures in both Territories. In view of the long term costs to the Commonwealth if the Territories do not become economically self-sufficient, the Committee considers that the Government should sustain some costs in the short term to assist ventures to become established. This should take the form of efforts to overcome the infrastructure deficiencies and to develop policies which facilitate tourism. Unless special circumstances apply, such as access to revenue from a casino, requirements that developers contribute to infrastructure upgradings should not be imposed. The Committee recommends:

- (2) with the exception of the Christmas Island casino project, the Commonwealth Government:

- waive requirements that developers contribute to the upgrading of public infrastructure required to support tourism proposals on Cocos and Christmas Islands; and

- undertake to upgrade infrastructure where it is necessary to do so to attract and facilitate tourism enterprises. (*Paragraph 3.16*)

- (3) the Commonwealth Government urgently review those policies and regulations which might act as an impediment to the introduction of regular passenger transport air services to the Christmas and Cocos Islands. (*Paragraph 3.26*)
- (4) the Department of the Arts, Sport, the Environment, Tourism and Territories convene a conference of all parties interested in the air service to the Indian Ocean Territories, including potential tourism operators, airlines and aviation authorities, to resolve problems with the existing service. (*Paragraph 3.27*)

The Committee is concerned about the delay in making surplus Government properties available for lease or purchase on Christmas Island for the development of tourism ventures. It recommends that:

- (5) the Department of the Arts, Sport, the Environment, Tourism and Territories and the Christmas Island Administration immediately:
 - make available leases for tourist developments and accommodation either by auction or direct purchase; and
 - develop a program to identify other surplus properties suitable for lease and progressively bring these onto the market. (*Paragraph 3.33*)
- (6) the leases made available for tourism developments on Christmas Island contain special conditions and performance clauses designed to prevent speculation and ensure that the properties are developed for viable tourism ventures within a specified time. (*Paragraph 3.34*)

In both Territories there is potential to provide short term employment in works to upgrade general facilities. On Christmas Island in particular, there is a need to clean up the island, demolish damaged and deteriorating buildings and remove abandoned mining equipment surplus to future requirements. The Committee recommends that:

- (7) the Commonwealth Government undertake a public works program on Christmas Island to upgrade general facilities. (*Paragraph 3.37*)

The main benefit of tourism will be the creation of employment, but training programs to prepare local workers for employment in the tourism industry are required. Training has already commenced with emphasis being given to English language development programs but, in the Cocos Islands in particular, there is a need to present courses in the language of the local community. Not to do this will disadvantage older members of the workforce and result in social disruption within a vulnerable community.

It is generally the Commonwealth's responsibility to provide training and skills upgrading as part of its commitment to the local communities and, where possible, this should be directed at specific employment prospects. Private developers of major proposals could also contribute. The Committee recommends that:

- (8) the Commonwealth Government seek formal agreements with developers of major tourism projects in the Cocos and Christmas Islands concerning the provision of traineeships and other training opportunities for members of the local communities who could be employed in the tourism industry. (Paragraph 3.46)

There is also scope for increased local employment within the Australian National Parks and Wildlife Service and the Committee recommends that:

- (9) where possible, the Australian National Parks and Wildlife Service give preference to the employment of residents of the Christmas Island and the Cocos (Keeling) Islands Territories for positions on the Islands and that it provide training courses for local people to be employed as ANPWS staff. (Paragraph 3.48)

The lack of adequate quarantine provisions on Christmas Island is a threat to the Island's flora and fauna and the development of tourism may exacerbate the situation. The Committee recommends that:

- (10) the *Quarantine Act 1908* be applied to Christmas Island. (Paragraph 4.8)
- (11) Australian Quarantine Inspection Service staff be seconded to the Christmas Island Administration to enforce the *Quarantine Act 1908*. (Paragraph 4.9)
- (12) as an interim measure, pending the introduction of a quarantine inspection service on Christmas Island, the specialist staff of the Administration and the Australian National Parks and Wildlife Service be provided with training related to quarantine inspection. (Paragraph 4.10)

Migration regulations could act as an impediment to the development of tourism but the Committee is concerned to see that appropriate controls are in place. Nevertheless, there may be scope to introduce procedures which recognise the special circumstances and needs in the Territories, and the Committee recommends that:

- (13) the Department of Immigration, Local Government and Ethnic Affairs develop new procedures, supported by any necessary amendment to legislation or new regulations, to facilitate tourist entry to the Christmas Island and the Cocos (Keeling) Islands Territories. (Paragraph 4.14)

The duty free status of both Territories is an incentive to tourism and as such should be retained. The Committee recommends that:

- (14) the duty free status of the Christmas Island and the Cocos (Keeling) Islands Territories be maintained indefinitely and the tax free status of the Cocos (Keeling) Islands Territory be maintained until July 1994 or until such time as a viable tourism industry is established, whichever occurs first. *(Paragraph 4.18)*

Two tourism development proposals for the Cocos Islands were put to the Committee during the course of the inquiry. One of these was for a major resort on Direction Island but the developer has decided to take no further action. The other proposal is for a smaller resort on West Island. The major tourism development on Christmas Island is a casino resort. None of these proposals has been the subject of an environmental impact statement under the provisions of the Environment Protection (Impact of Proposals) Act. The Government has, however, specified environmental operating conditions which are to be supervised by the Australian National Parks and Wildlife Service. These provisions are imprecise and are likely to lead to some uncertainty and conflict. This concern is compounded by the lack of environmental legislation and planning procedures. The Committee recommends that:

- (15) the Commonwealth Government, in consultation with the local communities, develop comprehensive environment and planning legislation to ensure assessment and monitoring of the environmental and social impacts of tourism and other developments in the Indian Ocean Territories. *(Paragraph 4.25)*
- (16) North Keeling Island be declared a national park under the *National Parks and Wildlife Conservation Act 1975*. *(Paragraph 4.26)*
- (17) the Commonwealth Government, in consultation with the Island communities, develop a plan of environmental management for each of the Indian Ocean Territories. *(Paragraph 4.28)*
- (18) the resources of the Australian National Parks and Wildlife Service be expanded as tourism develops in the Christmas Island and the Cocos (Keeling) Islands Territories and as the Service's role in supervising developments increases. *(Paragraph 4.30)*

The Cocos (Keeling) Island Council and the Cocos Malay community will have to decide whether to proceed with the West Island proposal alone or to seek a new developer for the Direction Island proposal. Although the Direction Island proposal offered more benefits it may have also caused more problems than the West Island development. There are grounds for giving priority to the West Island proposal because it would allow a more gradual introduction of tourism. A resort on Direction Island may, however, be favoured on commercial grounds.

The Committee is concerned by the lack of environmental and social impact studies of the proposals for the Cocos Islands and is particularly concerned that there is inadequate information available to predict the social effect of the development of tourism. The Cocos Malay community must be provided with as much information and advice as possible to assist it to make decisions about the issue. There will also be a need to help the community to adjust to social and economic changes that will result. The Committee recommends that:

- (19) the Commonwealth Government and the Cocos (Keeling) Islands Council enter into an agreement to assess and monitor the environmental and social impacts of tourism. *(Paragraph 5.13)*
- (20) the Commonwealth Government provide resources to assist the Cocos Malay community manage the social changes that will result from the introduction of a tourism industry. *(Paragraph 5.14)*
- (21) approval of any proposal for tourism development in the Cocos (Keeling) Islands Territory be dependent on:
 - . an opportunity being made available for the local community to take up equity or to participate in the management;
 - . the outcome of environmental studies and agreement on environmental management conditions;
 - . the initiation of social impact studies and the agreement to make necessary changes to project operations if adverse social impacts are likely or become apparent; and
 - . market research which shows that developments will be viable. *(Paragraph 5.15)*
- (22) the Commonwealth Government acquire Oceania House and transfer ownership to the Cocos Malay community. *(Paragraph 5.16)*

The casino project on Christmas Island is not proceeding according to the schedule agreed to by the Commonwealth as part of the approval process and expectations about employment levels and environmental performance may not be achieved. The Committee considers the project should proceed and that the Commonwealth should facilitate this development but believes that it should more closely scrutinise the project. The Committee recommends that:

- (23) the Commonwealth Government:
 - . adopt a series of performance objectives for the Christmas Island casino project to achieve in terms of environmental, social and economic impact;

- . monitor the performance of the project against these objectives; and
- . re-negotiate the terms and conditions if the project does not achieve the objectives. *(Paragraph 5.19)*

There is also scope for the development of other, smaller scale ventures on Christmas Island, but so far the Government has concentrated its efforts on getting a major development established. The smaller ventures could also fill the gap in the general tourism area until such time as the casino project diversifies away from the gambling market. The Committee recommends that:

- (24) the Department of the Arts, Sport, the Environment, Tourism and Territories give urgent priority to the development of general tourism on Christmas Island in the form of small scale special interest group tours. *(Paragraph 5.24)*

1. INTRODUCTION

Background to the Inquiry

1.1 The Australian external territories in the Indian Ocean are two of the most remote parts of the Commonwealth. The Cocos (Keeling) Islands and Christmas Island are located some 2,600 kilometres north west of Perth at approximately the same latitude as Darwin. Neither territory is on normal air and sea routes. They are remote not only in a geographical sense; they are remote also in the sense that they receive little attention from the Australian public or the political decision makers.

1.2 The Cocos (Keeling) Islands became an Australian Territory in 1955 with the passage of the *Cocos (Keeling) Island Act 1955*. Christmas Island became an Australian Territory three years later with the passage of the *Christmas Island Act 1958*. Both Territories were previously under the authority of the United Kingdom.

1.3 The population of the Cocos (Keeling) Islands Territory is approximately 650 and that of Christmas Island is approximately 1,000. Uninhabited when discovered by European explorers, labour was imported to the Territories from South East Asia to work in the copra industry on the Cocos Islands and in the phosphate mine on Christmas Island. In both cases, the economy that developed on the Islands was dependent on the single industry that was established.

1.4 Ownership of most of the land in the Cocos (Keeling) Islands Territory and the coconut plantations on which the copra industry was based passed to the Cocos Malay community in the late 1970's. Declining world copra prices and increasing production costs caused the community to cease operations of the plantation and the industry is now moribund. Without the copra industry, the Territory has no viable economic base. Most of the Cocos Malay workforce is currently involved in providing services to, or is employed in, Commonwealth Government activities.

1.5 As was the case with the Cocos (Keeling) Islands Territory, the Christmas Island Territory was also left with an economy reliant on Government subsidy after the single industry collapsed. The phosphate mine on Christmas Island ceased commercial operations at the end of 1987, but the future of the mine had been in doubt for a number of years preceding its closure. In 1986, the Commonwealth Government attempted to stabilise the industry by agreeing to underwrite projected operating losses of the Phosphate Mining Corporation of Christmas Island. These attempts failed because of the collapse of an industrial agreement, depressed prices, a shortage of fresh water for use in the processing of the phosphate ore, and the difficulty in obtaining grades of ore of the quality required to meet contract specifications. The closure of the phosphate mine, together with the Government's agreement to meet award redundancy conditions and to offer resettlement benefits, led to a significant decrease in the size of the Island's population.

1.6 The search for alternative industries and employment in both Territories revealed few options. Tourism has been raised as a major prospect and there has been considerable Government activity to identify potential tourism operators, but attempts

to establish tourism industries in the Territories have faced significant obstacles. In March 1988, the Minister for the Arts, Sport, the Environment, Tourism and Territories wrote to the Committee proposing that it inquire into tourism in the Cocos and Christmas Islands. The Minister stated that:

With the world collapse in copra prices and the finite nature of phosphate mining, tourism as an economical alternative to these industries can be considered. I suggest that the inquiry should cover management, control and equity for the local populations, whether tourism is a viable long term alternative, likely markets and competition, transport, environmental impacts and possible social effects on local populations.¹

The Cocos (Keeling) Islands Territory

The Environment

1.7 The Cocos (Keeling) Islands Territory comprises two atolls containing 27 small islands. The northern atoll is North Keeling Island. The second atoll, containing the remaining 26 islands, is situated 24 kilometres to the south.

1.8 Prevailing sea and weather conditions and fringing reefs make access to North Keeling Island difficult. No permanent settlement has been established there and most of its original vegetation, including some rainforest, is still intact. As such, the Island has highly significant conservation value. Similarly, the fauna of North Keeling Island is in a relatively pristine condition despite the impact of hunting. Crabs and rails are the most conspicuous and probably the most plentiful inhabitants of the forest floor and beach fringe.

1.9 North Keeling is a major sea bird breeding site, attracting perhaps the greatest variety of species found on any island in the Indian Ocean.² Fourteen sea bird species have been recorded from the Island and 11 species use it for breeding. According to the Australian National Parks and Wildlife Service (ANPWS), North Keeling Island is vital to the stability and cohesion of central Indian Ocean sea bird populations. The ANPWS considers that, in the Indian Ocean, North Keeling is exceeded in its significance for sea birds only by Aldabra Island, a world heritage listed coral atoll, and by Christmas Island. Unlike North Keeling, these other two Islands have been settled by people and large areas have been cleared. Thus it is important to retain North Keeling in near pristine condition.

1.10 North Keeling Island is not a nature reserve but the wildlife is protected and visits are regulated by the Cocos Islands Administration. The ANPWS retains a nature conservation officer in the Territory and advises the Administration and the Cocos (Keeling) Islands Council on the protection of North Keeling Island and the conservation of wildlife in the Territory.

¹ Letter from Senator the Hon. Graham Richardson, Minister for the Arts, Sports, the Environment, Tourism and Territories, 17 March 1988.

² Australian National Parks and Wildlife Service, *Submission*, p19.

1.11 The islands of the southern atoll surround a central lagoon roughly circular in shape and approximately 10 kilometres in diameter. The sandy beaches on the lagoon side of some of the southern islands provide access to protected and unpolluted waters which can be used for water activities such as swimming, diving, fishing and sailing. Two of the islands are inhabited: Home Island and West Island. Home Island is the traditional home of the Cocos Islands people and the Clunies-Ross family. The Cocos Malay population presently numbers about 400. Approximately 250 people live on West Island, where most of the Commonwealth facilities and administration offices are located. People have also lived on other islands, including Direction Island, which was the site of a communications facility for most of this century up to the 1960's.

1.12 Before settlement, the islands of the southern atoll were covered by a form of rainforest typical of coral islands. Unlike that of North Keeling Island, the vegetation has been extensively modified and almost entirely replaced by coconut plantations. Some 175 plant species have been recorded, but many of them were introduced, either accidentally or for gardens. The marine environment, unlike the vegetation on the islands, has been much less modified and contains a rich diversity of species. The highly modified terrestrial environment of the main atoll, however, carries relatively few animal species: insects and land crabs, a few birds (mainly introduced) and introduced mice, rats and lizards.

1.13 Notwithstanding the impact of settlement, the ANPWS has also identified several sites of conservation significance in the southern group. Direction Island, Transmitter Beach on the northern end of West Island, and an area at the southern end of West Island, have all been described as significant in terms of recreation and tourism. The ANPWS also noted in its submission to the Committee that Horsburgh Island contains the best remnant stand of native trees on the southern atoll, a brackish swamp important for migratory wading birds, and trees on the oceanic foreshore which are a major roosting area for sea birds. Two small islands off the southern end of West Island contain major sea bird colonies, and an outstanding snorkelling area at the southern end of Direction Island, called 'The Rip', is managed as a marine nature reserve. DASETT wrote to the proponent of a resort on Direction Island and advised him that it had taken up the possibility of 'The Rip' being declared a park or reserve under the National Parks and Wildlife Conservation Act. This would result in the area being vested in the Director of the ANPWS. The Committee supports this proposal subject to it being agreed to by the Cocos (Keeling) Islands Council.

1.14 The Cocos Islands environment is subject to change from natural forces. The lagoons of both the northern and southern atolls may be slowly filling with sediment, and short term factors such as unusual weather conditions can cause disturbances in the southern lagoon. Normally the prevailing weather conditions allow the water in the lagoon to be regularly flushed, but unusual weather conditions can occasionally prevent this and the lagoon waters are subject to eutrophication. This can result in significant fish kills, most recently in 1983. The Committee considers that some baseline information should be gathered and maintained on the implications of this phenomenon for the tourism industry as well as the environmental impact of increased use of the lagoon by tourists. The Islands are also subject to tropical cyclones.

The Economy

1.15 In 1984, the Cocos Malay people voted overwhelmingly for integration with Australia in a United Nations supervised Act of Self Determination. Prior to this, the Commonwealth Government circulated a discussion paper which explained the options available to the community and which stated the Government's commitment to raise the Cocos Malay standard of living to Australian levels. As part of this commitment, the Government undertook to continue to help the community examine ways of broadening the Islands' economic base by developing alternative industries and other measures aimed at greater self sufficiency.

1.16 The Commonwealth is negotiating with the Cocos (Keeling) Islands Council and the Cocos Islands Co-operative Society to enter into a Memorandum of Understanding relating to the achievement of mainland standards of living and levels of Government services. This move towards mainland standards will result in significant changes to the Cocos Malay community as it will cover fundamental matters such as land tenure, wages systems, and education services. The proposed Memorandum is also expected to emphasise the need for measures to facilitate alternative industries, particularly tourism, to broaden the employment prospects for the community.

1.17 The Cocos Islands Co-operative Society is the commercial arm of the Cocos Malay community, the principal employer of the Cocos Malays and, through the payment of wages and dividends, their sole source of significant income. There is little unemployment in the Cocos Islands but, with more labour than necessary allocated to various activities, there is a measure of artificial job creation. This represents a Government subsidy which may be more costly than the provision of unemployment benefits and is an inefficient way of avoiding unemployment.

1.18 Commercial activities of the Co-operative include the construction and maintenance of buildings, the provision of clerical and other staff for the Administration, the provision of accommodation, catering, stevedoring and shipping services, and retailing. A major source of employment for the Co-operative workers is a housing replacement program on Home Island. The Co-operative provides the construction workforce on contract to the Commonwealth for this project. However, the project is nearing completion and the level of employment will not be sustained. The Department of the Arts, Sport, the Environment, Tourism and Territories (DASETT) considers that the Territory has no viable economic base at present.³ It is expected that, as Government contract work decreases, living standards will fall unless there is a continued injection of new Commonwealth-funded capital works or private sector developments.

1.19 There have been several studies to identify alternative industries for the Cocos Islands. Opportunities are limited by the poor soil, lack of natural resources and the distance from external markets. Some encouraging steps have been taken, including a horticultural project that the Committee inspected on Home Island. This project is creating some employment as well as reducing the reliance on imported food stuffs, but

³ Department of the Arts, Sport, the Environment Tourism and Territories, *Submission*, p25.

it is unlikely to make a major contribution to the Islands' economy because of the poor soil and lack of markets.

1.20 Fishing has also been considered as an industry for the Cocos Islands. DASETT advised the Committee that, although the lagoon of the main atoll is subject to periodic dieback, the fish are rich in diversity. However, it is not clear whether, or at what level, the waters could sustain long-term harvesting. A Self-Sufficiency Study for Cocos (Keeling) Islands carried out by a consultant to the Department of Territories and Local Government in 1984 considered deep sea fishing, reef fishing and mariculture of giant clams. Further research into reef fishing and live aquarium fish was found to be required and long line fishing was considered to be inappropriate. The consultant commented that deep sea fishing would require high capital outlays to establish a fishing fleet and further investigation would be necessary in waters surrounding the islands to determine sustainable yields. Long line fishing currently conducted in the area, undertaken en route to more productive fishing grounds, was described as opportunistic. While finding that reef fishing provided an important supplement to local food supplies, the consultant concluded that sustainable yields might be insufficient to support an export industry.

1.21 DASETT considers that mainland Australian standards of living could be achieved with little further Government subvention if a tourist resort which generated significant local income were to be established.⁴ A representative of DASETT told the Committee that without tourism the realistic unemployment figure might be as high as one third of the population on Cocos.⁵

1.22 In July 1989, the Commonwealth Grants Commission reported that the Territory will eventually develop a tourism based economy but it is unlikely to occur in the immediate future. While acknowledging that tourism may not provide a viable economic base until 1994, the Commission stated that:

it is necessary to acknowledge at the outset the significance of tourism to the development of the Cocos economy. Its importance can hardly be over-emphasised. Without it, the Islands will lack an economic base and, except for limited employment with Commonwealth agencies, the Co-operative's small scale tourism proposals on West Island and internally generated employment within the Cocos Malay community, employment opportunities for the community will be virtually non-existent. The consequences for the community will be loss of potential income, a high level of unemployment with its debilitating and demoralising social effects and its disruptive influences on the economic and social structure of the community, substantial income differentials, and no doubt a tendency for some members with literacy and occupational skills to migrate to the mainland in search of more productive and rewarding lives. The consequence for the Commonwealth Government will be a failure to provide the Cocos Malay community with the opportunities for economic advancement which are potentially available (and hence a failure to live up to its obligation to the United Nations and the

⁴ DASETT, *Submission*, p25.

⁵ *Evidence*, p9.

community, under the Act of Self-Determination, to advance living standards to Australian levels), the loss of a real increase in resources which would have resulted from productive economic activity and international earnings, and a direct financial cost represented by the necessity for increased payments of unemployment benefits and related social security benefits to those unable to find work.⁶

1.23 From the point of view of promoting tourism, the Cocos Islands appear a prime example of a tropical island destination. The Islands offer long, white, sandy, palm fringed beaches fronting a lagoon of clear, warm water. The marine attractions of the Cocos Islands are outstanding and a tourism industry could be built around the attractions of swimming, fishing, diving, reef walking, sailing and fossicking. Mr John Plunkett, a potential developer of a tourist resort on the Cocos Islands, advised the Committee that the lagoon has great potential for recreational fishing. Mr Plunkett organised a game fishing tour to the Islands and discovered that the lagoon contains Bone Fish, which is a great attraction to fly fishing enthusiasts. He told the Committee that if it were widely known that Bone Fish are available to be caught in the lagoon, people would come from all over the world, particularly from North America.⁷

1.24 The Territory does not, however, have the infrastructure that would normally be expected in a location being considered as a tourist destination. The remoteness of the Islands means that transport links are vitally important. Air and shipping services are operated or co-ordinated by the Commonwealth, which is the main user, but deficiencies in these services are a major impediment to the development of tourism. This problem is discussed further in Chapter 3.

1.25 DASETT operates an air charter on a cost recovery basis and charges fares both for passengers and for freight; however, in 1988/89 the charter operated at a loss of approximately \$150,000. The non-discount fare is currently \$1,200, which represents a break-even for the Department when carrying 50 passengers and 5 tonnes of freight.

1.26 The airport on West Island has full radio facilities and is capable of handling international traffic. In anticipation of an increased number of flights, plans have been made to upgrade the airport, install additional navigation equipment, and construct a new terminal building incorporating immigration and custom services.

1.27 The Cocos Islands have no major wharf facility and lighters are used to discharge cargo. The Department considers that these facilities are sufficient to cope with any increased demand through tourism.

1.28 The main element of the internal transport service is the inter-island ferry operating across the lagoon to connect Home Island with West Island. This service is provided by the Commonwealth. Adequate communication facilities are in place, including an internal phone service as well as phone and facsimile links with the mainland using a satellite system. These facilities may need upgrading to meet the demands of a tourist industry.

⁶ Commonwealth Grants Commission, *Second Report on Cocos (Keeling) Islands Inquiry 1989*, AGPS Canberra, p28.

⁷ *Evidence*, p183.

1.29 The water supply is variable. The larger islands, such as Home Island, West Island and Horsburgh Island, have fresh ground water supplies but there is no fresh water on Direction Island and the other smaller islands around the lagoon.

1.30 With regard to power supplies, independent diesel powered electricity generation plants are operated on Home Island and West Island by the Cocos (Keeling) Islands Council and the Commonwealth respectively. Wind generation could be a feasible alternative and an experimental wind energy conversion system has been linked to the Home Island system.

1.31 Government services provided on the Islands by the Commonwealth include immigration controls, customs, health inspections and quarantine services. A high security animal quarantine station has been in operation on West Island since 1981. Farm animals imported into Australia must spend a quarantine period in the station before entering the mainland. Staff from the quarantine station and the Administration ensure that quarantine regulations are observed by visiting ships and yachts. The Government also maintains a small hospital with a doctor and nursing staff on West Island. This is sufficient to cope with most surgical and medical emergencies on a small scale.

1.32 The Cocos (Keeling) Islands Territory is a duty free port and imports to the Territory are admitted free of customs duty. Goods imported to the mainland from Cocos are exempt from customs duty if they are the produce of the Territory.

The Cocos Malay Community

1.33 The Cocos Malay people are descendants of workers brought to the Islands first by Alexander Hare, when he settled there in 1826, and later by the Clunies-Ross family. Their forebears were drawn from several communities in what is now known as Malaysia and Indonesia. Isolated for most of its history, the Cocos Malay community has developed its own culture and traditions based on the Islamic tradition. The size of the community has fluctuated, particularly in more recent times, as people have left the Islands during difficult economic times and have returned when the demand for local labour was seen to have increased. Until recently, there was little access to education and most of the population do not have the skills to take up employment within any tourism industry that might develop. This situation is changing slowly, however, and some young people are leaving the Islands to complete secondary education and post secondary training. The Commonwealth Government has also initiated an education program concentrating on English language, skills upgrading and job training.

1.34 While it is reasonable to assume that the proposed tourism developments will have little or no impact on the highly modified natural environment of the main atoll, this is not necessarily the case in terms of the possible impact on the social environment. According to Ms Pauline Bunce, a former teacher on the Islands, the Cocos Malay community is a reserved and self contained social world. The people share a common language, religion, heritage and customs and feel that they have all that they require

within their own society. According to Ms Bunce, few members have ever moved beyond the community's social borders and fewer still feel any need to do so. A unique culture has evolved over eight generations because of its isolation, shared economic endeavour, strong family loyalty, a deepening commitment to Islam and a unique version of the old trading Malay language of the East Indies.⁸

1.35 The Notice of Intention prepared for a proposed tourist resort on Direction Island, (discussed in more detail in Chapter 2), stated that, while the project probably would result in social change within the Malay community, such change would not be outside the existing educative program goals or the stated intentions of the Australian Government which have been agreed to by the community.⁹ It was pointed out that the Cocos Malay culture has already been significantly altered by:

- . western education;
- . frequent contact between Malays and Europeans;
- . European clothing;
- . western technology;
- . access to video tapes;
- . return of people who have resided elsewhere; and
- . extensive adult education programs.

1.36 According to this view, tourism would not destroy or otherwise debase the local culture because the structure and congruity of the Malay community allow the Council to determine with whom its members should associate and how they should behave. An agreement between the local community and the Direction Island resort proponent was to have prevented tourists from visiting any of the other islands in the group, with the exception of West Island, without the express authority of the Council. Tourists were to have been able to reach Home Island only by the invitation of the Home Island community. At the same time, the Council and the Co-operative were to have managed the activities where there was to be interaction between tourists and local residents and they would have been able to break off or modify these activities if negative trends were observed.¹⁰

1.37 Ms Bunce rejects the argument that the culture of the Cocos Malay people is already changing and that therefore any changes that tourism activities might bring would be irrelevant. She maintains that, at the moment, there is time to reflect on changes. People are able to hasten slowly and see the consequences one at a time. The traditional Cocos Malay leadership does not like to be hurried or pressured into making hasty decisions and community consensus is still very important to them.¹¹ Ms Bunce believes

⁸ P Bunce, *The Cocos (Keeling) Islands, Australian Atolls in the Indian Ocean*, Jacaranda Press, Singapore 1988, p66.

⁹ Christmas and Cocos Island Tours Pty Ltd, *Revised Notice of Intention Cocos Resort Village*, attachment to *Submission*.

¹⁰ Christmas and Cocos Island Tours Pty Ltd, *Feasibility and Research Material*.

¹¹ Ms P Bunce, *Submission*, p7.

that there is a lack of knowledge within the general community both about the development of tourism and about the specific proposals involved. She advised caution when using concepts such as community perceptions because what was being assessed was what the leadership believed rather than a community view.¹²

1.38 Ms Bunce maintains that most of the Islanders have lived very sheltered lives. Contact with outsiders has been limited and over a long period of time. There has been very little experience of high turnover transients. In her view, a social impact study should be undertaken by someone with experience of village Indonesia or village Malaysia. She does not consider that the study undertaken for the Direction Island proposal was a social impact study.¹³

1.39 The Cocos (Keeling) Islands Council advised the Committee that it recognises that tourism offers the best prospect for a viable economic base for Cocos.¹⁴ The Council considers that, while it is possible that the younger educated members might travel to the mainland seeking employment, it would be better for the maintenance of the community's cultural identity and traditions if work were available on the Islands. The Council stated that it is aware that Direction Island is an attractive site within the atoll for any development and, subject to agreement on lease fees, it is willing to continue to offer this Island as a potential site for tourist development. In discussions with the Committee during its visit to the Islands in July 1989, representatives of the Cocos Malay community stated that they expect many diverse, albeit unspecified, effects on their community as the result of an increase in tourism, and they expressed concern about the lack of social and environmental impact statements.

1.40 The Administration's community development officer told the Committee during its visit that tourism would bring some disadvantages, including detrimental impacts on the Cocos Malay culture and society. He believes, however, that these may not be as severe as typically found with tourism developments in third world countries because the Cocos Malay population already enjoys a reasonably high standard of living and the workers would remain close to their home environment. Moreover, there has already been some exposure to tourism through an existing small scale operation. There has also been some movement of Cocos Malay people to the mainland, particularly to Perth, Katanning and Port Hedland, and these people maintain links with the Islands.

1.41 The Committee remains concerned, however, that there is inadequate information available to predict the social effect of the development of tourism on the Cocos Islands with any certainty.

¹² *Evidence*, p99.

¹³ *Evidence*, p109.

¹⁴ Letter from the Cocos (Keeling) Islands Council, 28 November 1989.

The Christmas Island Territory

The Environment

1.42 Christmas Island lies 900 kilometres to the north east of the Cocos (Keeling) Islands and only 300 kilometres from Java. The nearest point of the Australian coast is North West Cape, 1,400 kilometres to the south east.

1.43 The Island's coastline is an almost continuous sea cliff and there are only a few places where these cliffs give way to shallow bays with small sand and shingle beaches. From the coastal cliffs the Island, which is the summit of a submarine mountain, rises steeply to a central plateau dominated by rainforest. The Island consists mainly of limestone and volcanic rock in which there are substantial pockets of phosphate ore. The phosphate deposits were probably formed following colonisation of the Island about 10 million years ago by sea birds. The droppings of these birds interacted with limestone to form phosphate.

1.44 As is the case on many oceanic islands, isolation has resulted in the development of distinctive flora and fauna on Christmas Island. There are about 200 native species of flowering plants and ferns, of which approximately 20 are found only on the Island. The plateau and terrace formations of the Island determine the two broad subdivisions of vegetation types found. The plateau carries a well preserved primary rainforest which is dominated by about ten large tree species. The rainforest is well structured and has a dense canopy. However, it has a very open appearance, lacks a complex shrub understorey, and the forest floor is kept clean by the abundant land crabs. It therefore permits easy access and relatively safe recreation. Compared to the rainforest on the plateau, the terrace vegetation is more diverse, ranging from salt tolerant species through vine thickets and open forests to forests of evergreen and deciduous species.

1.45 Large areas of the Island were cleared during phosphate mining operations. Only a part of the cleared area has been revegetated and in most cases genuine rainforest has not been successfully restored. Moreover, areas of uncleared rainforest adjacent to large clearings have also been adversely affected. All of the uncleared rainforest remaining on the Island has high conservation value and the ANPWS has identified several areas which are particularly significant. Some of these areas are already included in the Christmas Island National Park, which has been progressively established since 1980 and now covers 62 per cent of the Island. The park takes in virtually all areas of primary rainforest and breeding grounds.

1.46 Thirteen species of land crab, some of which occur in very large numbers, live on the Island. The annual mass migration to the ocean of one of the most abundant species provides a feature unique to the Island and is potentially a major tourist attraction. Another species, the Robber Crab, is the largest land crab in the world, and is common on Christmas Island. It has been exterminated or made rare by hunting on many other islands and is listed as 'vulnerable to extinction' in the red data book of the International Union for the Conservation of Nature. The waters surrounding Christmas Island are remarkably clear and contain a rich variety of sea life. The Committee was advised that the conservation interest of the Island approximates that of the Galapagos Archipelago.

1.47 Lying in an ocean with relatively few islands, Christmas Island also provides a focal point for sea birds. Eight species breed on the Island and of these, three species are endemic and two are endangered. In all, 92 species of bird, of which 44 are listed in various international agreements to which Australia is a signatory, have been recorded from the Island.

1.48 A six-year research program on the breeding success of the Abbott's Booby began in 1983. The birds nest in emergent trees in the rainforest canopy and only 1,600 pairs are estimated to remain. The research indicates that increased wind velocity through the canopy as a result of the clearing of the rainforest for phosphate mining has affected the survival rate of the Abbott's Booby.

1.49 The Commonwealth Government has provided \$500,000 for priority reforestation to protect the Abbott's Booby. Pilot projects will be undertaken to assess the most productive revegetation methods and detailed rehabilitation field plans will be drawn up in the light of experience gained. The ANPWS established a nursery on the Island with the aim of providing plants for the reforestation program.

1.50 It is the Committee's view that the rehabilitation program is crucial to the survival of at least one bird species. Further, this rehabilitation program should not be tied to funding that might be derived from any particular development proposal for the Island, whether it be mining or tourist development. Irrespective of future economic development, this rehabilitation program must proceed.

1.51 Accordingly, the Committee recommends that:

- (1) the Commonwealth Government provide sufficient resources to the Australian National Parks and Wildlife Service to ensure rehabilitation of rainforest on Christmas Island.

The Economy

1.52 Prior to the Second World War, the phosphate mining operations were carried out by a company partly owned by the Clunies-Ross family. In 1948 the company sold its operations to the Australian and New Zealand Governments. From July 1981 the mine was operated by an Australian Government owned company and in 1985 the operation was transferred to a statutory authority.

1.53 Even though the Australian Government had begun to put in place arrangements which recognised that the mine had a finite life, the closure of the mine at the end of 1987 had a profound effect on the economy and population of the Island.

1.54 The organisations which conducted mining operations on Christmas Island historically provided all services and infrastructure for the resident community, which was made up almost entirely of mine employees and their dependents. Therefore the community was reliant on the mine not only for its income but also for the provision of services such as housing, electricity and water. These services were provided free or at a highly subsidised rate.

1.55 These arrangements were seriously jeopardised by the early closure of the mine. Some 700 mine workers and their dependents took advantage of the Commonwealth Government's resettlement and retraining program and most of them moved to Perth, but unemployment on the Island remains very high at about 40 per cent of the workforce.¹⁵ The depopulation of the Island led to an excessively high level of servicing in areas such as health and education and a deterioration of the Island's infrastructure.

1.56 The Commonwealth Government had decided in 1984 to bring Christmas Island into the mainstream of Australian life and a package of measures was introduced as part of the move towards normalisation of the Island's economy. This package included:

the establishment of local government and the introduction of appropriate charges for local services;

the removal of obstacles to the development of other industries on the Island, while retaining adequate safeguards for Australia's national interest and the Island's environment;

the extension of personal income tax provisions to the Island;

the extension of mainland rights and benefits such as social welfare and Medicare;

the extension of Commonwealth legislation to the Island; and

the intention of ensuring that a situation is not created where the Australian Government is supporting an uneconomic enterprise.

1.57 Progress with implementing this package has not been completely successful. Municipal functions previously carried out by the mining company have been transferred to the Administration and the Christmas Island Services Commission. The Services Commission is now responsible for management and maintenance of all accommodation and a wide range of social and recreational facilities. It also operates the local radio station, supermarket and library services.

1.58 In 1985 the then Department of Territories advertised internationally and within Australia for expressions of interest for developments for Christmas Island. About 170 expressions of interest were received covering a wide range of activities such as fishing, market gardening, service industries, retailing and tourism. The Department received two major development proposals, both related to tourism.

1.59 Although tourism has been identified as the industry with the best prospects for success, other types of activities could be viable. There have been no proposals which have reached fruition, but the expressions of interest can be taken as indicative of the

¹⁵ DASETT, *Submission*, p48.

range of options that could be considered for Christmas Island. DASETT has received proposals for the development of a boat maintenance and repair venture, a market garden enterprise, a mail order business featuring the Christmas theme and a public relations-advertising agency associated with philatelic promotions.

1.60 There is potential for mining to re-commence, drawing upon stockpiled reserves and ore bodies remaining in previously cleared areas. DASETT has sought tenders for mining the stockpiled ore. It would be on a smaller scale than previous operations and would employ 60 to 100 people. The project would also contribute royalties to the Administration's funds for expenditure on the Island but would not by itself be sufficient to place the economy on a viable footing.

1.61 One of the conditions to be placed on the tender for the new mining operation is that the successful company would have to contribute to the rainforest rehabilitation program mentioned above (paragraph 1.49) and help fund the replanting. It had been expected that this operation would be established early in 1989, but the current estimated date is late in 1990. The ANPWS advised the Committee in May 1989 that the delay in receiving funding from the proposed mining operation would endanger the rehabilitation program because the resources required to plant the seedlings would not be available unless provided by the Commonwealth. While the mining operation may contribute funds, the viability of the project is yet to be established and it is not a secure funding source.

1.62 Proposals have also been received from several organisations interested in developing commercial fishing operations and at least one proponent has applied for a developmental fishing licence. All proposals for commercial fishing operations have been held in abeyance, however, pending the outcome of negotiations between Australia and Indonesia regarding off-shore boundaries. The Department of Primary Industries and Energy has taken advice from the Department of Foreign Affairs and Trade and will not issue any commercial fishing licence for the waters around Christmas Island until an agreement has been reached. Another consideration is that the development of a fishing co-operative or processing facility could be limited if it required substantial supplies of fresh water or a waste disposal facility as part of the processing works.

1.63 DASETT held the view in August 1988 that if the proposals which had come forward up to that point relating to fishing and a small scale phosphate mining operation were established, they could combine with the impetus provided from several expected tourism developments to provide near full employment for the Christmas Island community. This objective has not yet been achieved and, of all the development proposals, only one major tourism project is currently proceeding. This does not mean that other proposals might not eventually lead to viable industries on the Island. It is clear, however, that the establishment of a tourism industry will be vital to the economic development on Christmas Island, particularly in the short to medium term before other projects start to get off the ground.

1.64 Unlike the Cocos Islands, Christmas Island does not have the appearance of an ideal tropical island resort with palm fringed beaches and coral filled lagoons. As the ANPWS has observed:

... It lacks many of the requisites for development as a standard tropical island holiday destination ... its beaches are few and small and have a backdrop of cliffs rather than palm trees. Many ... [beaches] ... are also relatively inaccessible. In addition, swimming at the beaches may be difficult over the shallow inshore reefs as it depends upon tide and wave height, while surfing is impossible.¹⁶

1.65 The Committee was advised that management of the national park by the ANPWS will ensure that the tourist potential of the Island is enhanced and that sufficient sites remain outside the park boundaries for further tourist development. Tourist developments could also be undertaken within the expanded park provided appropriate environmental safeguards were undertaken. DASETT believes that there is virtually unlimited scope for tourist developments on Christmas Island on locations that would be environmentally attractive without adversely impinging on the environment.

1.66 The major tourism proposal for Christmas Island is the development of a casino resort complex. The project was examined by DASETT in relation to the Environmental Protection (Impact of Proposals) Act and no environmental impact study was considered necessary. However, environmental protection measures were incorporated in the lease agreement and the ANPWS will be involved in monitoring the project to protect the environment.

1.67 The lack of infrastructure and services may be a constraint on tourism. There is an airport on the Island but it is short and not suited for large aircraft. Although the terminal and air traffic services are adequate for current needs, they will require upgrading to meet regular passenger transport and international tourism requirements. The charter service from Perth to the Cocos Islands also services Christmas Island and a private charter provides a service between Christmas Island and Singapore. A shipping service operates and there are harbour facilities at the Island's only port.

1.68 The Island's water supply is generally adequate and is drawn from several good springs and underground streams. However, water restrictions had to be implemented during a prolonged drought during 1987 and early 1988. Water availability is not expected to be a constraint to tourism as new sources can be tapped as required. The electricity power generating capacity can be extended to meet any demands created by new tourism ventures. There are also hospital, medical and dental facilities on the Island but they have been run down since the closure of the mine and the resettlement program.

¹⁶ ANPWS, *Submission*, p13.

The Community

1.69 The population of Christmas Island is approximately 1,000. Although there are many long term residents, including families which have been on the Island for several generations, the majority were born in South East Asia and have been on the Island for less than ten years. Some residents have come from the Cocos Islands. The ethnic background of the community is approximately 600 Chinese, 100 Malays and 300 Europeans. Most of the Europeans are Government employees on short term postings from the mainland. As mentioned above, the population of the Island has varied as the level of mining activity has fluctuated and it decreased significantly following the cessation of mining operations. Furthermore, a large number of the Island's residents and employees were evacuated prior to a Japanese invasion during the Second World War.

1.70 The Christmas Island Act was amended in 1980 to provide an opportunity for persons who were residents on Christmas Island when it became an Australian Territory and who now reside in Australia to opt for Australian citizenship. The *Migration Act 1958* was extended to apply to Christmas Island in 1981 and Australian resident status was conferred on all of the Island's residents.

1.71 As the majority of Christmas Island residents would have experienced commercial developments in their homelands of Malaysia and Singapore, DASETT is of the view that these people should be able to cope with any cultural adjustments related to tourism developments. DASETT also believes that tourism has the support of the Christmas Island community and that the proposed developments are not seen by the local people as having a detrimental impact on cultural or religious values. The Casino Control Ordinance is intended to properly control gambling.

1.72 The Union of Christmas Island Workers advised the Committee that it foresees some social problems with the casino. These potential problems could include excessive gambling by local people and the break down of what is a close knit society.

1.73 There are several temples in the developed and the undeveloped areas of the Island, including one within the boundaries of the proposed casino lease. The developer needs to discuss options for this temple and his casino design with the community. Further, tourists to the Island will need to be provided with information on cultural and religious matters, including acceptable dress and practices within the Malay Kampong.

2. TOURISM PROPOSALS

2.1 Both Territories are economically dependent on Commonwealth subvention. To give the residents the opportunity to achieve a standard of living equivalent to that of mainland Australia without this subsidy, it will be necessary for viable industries to be established. These industries will have to support the local economy by directly contributing to administration revenue and employing local labour. Attempts were made during the mid 1980's to find alternative industries for both Territories and two major tourism proposals were put forward - one for each Territory. Other proposals offering benefits on a smaller scale were also made.

2.2 The Territories are similar in their need for tourism industries. However, given their contrasting environments, the type of ventures that could be catered for and the resorts that might be developed may be quite different.

2.3 The Cocos Islands offer the attractions that tourists expect of tropical resorts and they have the additional attractions of the cultural heritage of the Cocos Malay community and the spectacular wildlife of North Keeling Island. The ANPWS has advised that the average length of stay of most tourists on tropical islands is seven days or less and the Cocos Islands would probably experience the same pattern.

2.4 In contrast, although Christmas Island lacks certain key features to sustain it as a standard tourist destination, the ANPWS considers that it is in many respects ideal for the development of a specialised tourist industry centred on its outstanding natural resources. Referring to the growth of nature-based tourism, the ANPWS compared Christmas Island to the Galapagos Island where the number of visitors has risen from very few to the point where the local authorities are now attempting to reduce numbers to protect the resource. Like the Galapagos Island, much of the flora and fauna on Christmas Island is unique, attractive, easy to approach and capable of withstanding a moderate level of tourism. The wildlife, rainforest, cliffs, caverns, and blow holes provide a varied and attractive landscape that is comparatively safe to explore. The waters surrounding Christmas Island would also be an attraction to tourists interested in natural history because they contain good coral formations and a rich diversity of marine life and are ideal for diving or snorkelling.

2.5 With the contrast in the environment of the two Territories, there is scope to develop ventures which use the features of both as complementary attractions. Special interest tours could be targeted at people interested in diving, recreational fishing and natural history. Tourists would either commence their holiday package in the Cocos Islands and then move to Christmas Island to see and do quite different things, or vice versa.

2.6 So far, only one of all the proposals for both Territories has reached the stage where construction has commenced, and there has not yet been a significant number of tourists. Other ventures may soon reach the operational stage but before any of the ventures become viable there are a number of constraints and obstacles to be overcome. Most of these proposals also raise several important issues that need to be resolved before the necessary approvals can be given and the developments facilitated. These constraints and issues are discussed in Chapters 3 and 4.

Proposals for the Cocos (Keeling) Islands

The Walker Proposal - Direction Island

2.7 After the Cocos (Keeling) Islands Council evaluated the approaches it received in response to a call for expressions of interest in tourism development, it decided to negotiate with Mr J F Walker, Chairman of Christmas and Cocos Tours Pty Ltd. Mr Walker now appears in effect to have withdrawn his proposal, but his idea raised several important issues which still need to be considered and which may be relevant to other ventures.

2.8 Mr Walker proposed the construction of a tourist resort on Direction Island. Several alternative locations on various islands around the Cocos lagoon were considered and, following consultation with the Cocos (Keeling) Islands Council and the Cocos Co-operative, Mr Walker and his associates concluded that Direction Island was the most suitable site. It has no fresh water supplies and no existing infrastructure but it provides the best swimming beach and is easily accessible.

2.9 Mr Walker proposed that a design competition be held prior to finalising the details of the project. The basic concept was for a self-contained resort on a Malaysian theme that would have accommodated up to approximately 360 guests in bungalows fronting the lagoon beach on either side of a main building. The size of the resort would be determined in part by the need to attract a sufficient number of tourists to make a regular airline service viable and to generate sufficient income to offset high construction costs.

2.10 In October 1987 a Heads of Agreement was adopted by Mr Walker's company and the Cocos (Keeling) Islands Council. It provided for the Council to grant a lease to the whole of Direction Island subject to negotiation of a lease fee. The company agreed to allow the Cocos Co-operative to take up to 50 per cent equity in the project and, regardless of its equity, to have equal representation in the management of the project.

2.11 In August 1988, when DASETT made its initial submission to the Committee, it stated that the proposal was at a relatively advanced stage and if completed would underpin the local economy and employ all available local labour.¹ Mr Walker claims that, after the Heads of Agreement was signed and detailed discussions were held with the Government, DASETT and other authorities imposed additional requirements. During this period, the Heads of Agreement lapsed. One of the major impediments was

¹ DASETT, *Submission*, p6.

disagreement over a lease fee to be paid to the Council. There were also problems concerning developer contributions to infrastructure, upgrading and air transport arrangements.

2.12 In his discussions with the Council over the disputed rental, Mr Walker outlined the benefits his proposal was expected to bring to the Islands' economy. Although some of the benefits were specific to his proposal they are indicative of opportunities that any significant tourism development would create. They included:

- . direct employment through the Co-operative or individually, based upon Australian mainland awards;
- . the purchase of all stores and liquor through the Co-operative store;
- . supply by the Co-operative of land transport for an agreed fee;
- . handling by the Co-operative of all air and sea cargo;
- . supply by the Co-operative of labour to airline operators;
- . a number of small spin-off businesses run by the Co-operative or individuals;
- . education benefits by training in the hospitality industry;
- . an increase in the Malay community's standard of living because of increased disposable income; and
- . the transfer of fixed assets to the Malay community upon expiry of the lease.²

2.13 In evidence to the Committee in December 1989, Mr Walker said that he was still interested in negotiating a lease with the Cocos (Keeling) Islands Council.³ Negotiations recommenced in March 1990 and agreement was reached on a proposed lease. In April 1990, Mr Walker asked DASETT to provide further information about its discussions with the Department of Transport and Communications and the Civil Aviation Authority regarding the introduction of a regular passenger transport air service to the Territory. The proposal appeared to have finally collapsed in July 1990 when Mr Walker advised the Council that:

There has been a number of discussions regarding solving the problem of setting up a [regular passenger transport] airline service to serve Cocos and Christmas Island, but as yet nothing concrete has been derived from our discussions ... Until something is done positively with the airline by the Federal Government we do not intend to proceed any further but will continue to negotiate further hoping for a break through.⁴

² Christmas and Cocos Island Tours Pty Ltd, *Submission*, p22.

³ *Evidence*, p156.

⁴ Letter from Christmas and Cocos Island Tours Pty Ltd to Cocos (Keeling) Islands Council, 16 July 1990.

2.14 Representatives of the Cocos (Keeling) Islands Council and the Cocos Co-operative told the Committee during informal discussions on Home Island that consideration was being given to seeking new proposals, not necessarily for Direction Island. The representatives agreed that environmental and social impact studies should be undertaken by someone other than the developer. The Council advised the Committee in June 1990 that although it had endorsed the Direction Island site, this did not mean that the Walker proposal would necessarily receive approval. A proposal was also being considered for a site on West Island and the Council's view was that tourist facilities should be confined to either Direction Island, West Island or both.

2.15 Mr Walker had always made it clear that his proposal was dependent on access to the Direction Island site and that he was not interested in developing any other site. DASETT advised the Committee that most of the islands around the lagoon are used by the Cocos Malay community for recreational activities and are inaccessible to most vessels because of mud flats and sea grass. Horsburgh Island has some possibilities as a site for a resort because of its size, fresh water supply and reasonable swimming beaches but access is difficult because of coral outcrops extending offshore. There are also considerable portions of ocean beachfront on West Island, which has infrastructure in place and good fresh water supplies. Swimming areas are generally poor on both the ocean and lagoon sides of West Island, although there is one good swimming beach. Despite the lack of infrastructure and fresh water, Direction Island is the most aesthetically attractive site for a development on the scale proposed by Mr Walker. However, it is also a major recreational site for the European community on West Island.

The Plunkett Proposal - West Island

2.16 Another tourism proposal for the Cocos Islands is that of Mr John Plunkett, who has advanced the idea of establishing a smaller scale tourist resort on West Island. Mr Plunkett initially proposed a chalet type tourism development in 1986 but the idea was abandoned. He then made a proposal in 1987 for a floating hotel to be moored in the Cocos lagoon. In September 1989, he wrote to the Committee to advise that he had withdrawn the floating hotel proposal and was interested in reviving his West Island proposal. This project would involve building a Javanese style village consisting of 80 chalets on an area of 11 hectares adjacent to the swimming beach. This is considered to be the minimum size for a viable venture and would draw mainly on the Western Australian market.

2.17 Mr Plunkett told the Committee his project could be constructed with minimal site disturbance. It would involve an independent sewerage system and would make use of existing infrastructure augmented by the resort's own systems where necessary. The tourists would be based on West Island but day trips to Direction and Horsburgh Islands would be available. It is proposed that tourists be flown to the Island on DASETT's charter flights but, at an anticipated rate of 120 visitors per week, this would not be possible under existing charter operations. Either the charter aircraft will need to be upgraded and the frequency of service increased to twice weekly, or Mr Plunkett will need to make some alternative arrangement.

2.18 The project is at an initial stage but could become operational in a short period.

Chalets are already being fabricated by Mr Plunkett's company in Perth and he has finance available to commence the venture. Mr Plunkett has held negotiations with the Cocos (Keeling) Islands Council regarding a lease and in July 1990 the Council gave Mr Plunkett agreement in principle to an eleven hectare lease on West Island.⁵

2.19 Mr Plunkett told the Committee that he does not believe a formal environmental impact study is either required or feasible. He has been advised that such a study would take three years and cost \$3 million. This does not compare favourably with the total project cost of approximately \$8 million. However, his company would undertake environmental studies appropriate to the scale, location and proposed operation of the resort.

Oceania House

2.20 Tourism has been conducted in the Cocos Islands on a very small scale by Mr John Clunies-Ross Jr, who intermittently used Oceania House on Home Island as a base for a tour operation for small groups. Even though the numbers involved were usually only four to ten tourists at any one time, Mr Clunies-Ross advised the Committee that in the three years that his venture operated he accommodated over 300 tourists. Mr Clunies-Ross proposed to expand his operation to provide low cost self-contained accommodation. This would have increased the number of tourists staying on Home Island to up to 20 or 30.

2.21 A submission by Mr Clunies-Ross concludes that the Cocos (Keeling) Islands Council has adequate power to limit or control environmental and social impacts because it owns most of the land. The small scale operation conducted by Mr Clunies-Ross serves as an indicator of the impact that larger scale ventures might have. As Ms Bunce told the Committee:

because of its small nature, rarely more than eight to ten people at a time, it has had minimal impact. Something of that scale is all right, but if you had 50 or 60 people wandering about I think the community would be very angry with their leaders for having allowed such a thing to happen ... [if it was expanded] ... there is a potential for people to be a little more concerned about household security - people knocking on their doors. These sorts of things do not happen with the scale of ...[Mr Clunies-Ross]... enterprise at the moment, but those sorts of people might be more interested in getting to know the locals or making deals or something ... I think that if it got a little bigger, it would have more impact.

Proposals for Christmas Island

2.22 The tourism proposal for Christmas Island which has the most potential is the casino resort project being developed by Christmas Island Resort Pty Ltd. This was the only major tourism proposal that came forward in response to the call by DASETT for expressions of interest in developing alternative industries on Christmas Island. The

⁵ Letter from the Cocos (Keeling) Island Council to Mr John Plunkett, 23 July 1990.

development company was granted a lease for a 47 hectare site after a final agreement was made with the Commonwealth in December 1988.

2.23 The resort complex will include a core building with entertainment, restaurant, service and gaming facilities; detached single and double storey five star accommodation; and swimming, boating, snorkelling, fishing and tennis facilities, all within a few minutes of the Island's golf course. The project has been delayed by financial difficulties and a long series of negotiations but is now expected to be operational in 1991. The agreement between the Commonwealth and the developer provides for the developer to bear all capital infrastructure costs arising from the project. This means the project will have to fund the installation or upgrading of water, sewerage and electricity services as well as the airport, wharf and additional road facilities. The agreement also provides for 8 per cent of casino revenue to be paid to the Commonwealth for expenditure on the Island. After two years the payment is to increase to 10 per cent of casino revenue, or \$1 million, whichever is greater.

2.24 During its discussions with local residents on Christmas Island, the Committee heard several expressions of concern that the casino resort would be a self-contained operation with little interaction with the rest of the Island. If the casino develops this way, there will be limited opportunities for the locals to establish service industries or supporting tourist activities. Moreover, DASETT has been seen to have focused its attention and efforts on the casino resort, rather than on other small scale tourism ventures. DASETT's expectation is that other ventures will eventually get under way prompted by the stimulus provided by the casino.

2.25 The likelihood that there will be little interaction between the casino and the rest of the Island is exemplified by the route of the new road to be constructed between the airport and the resort. The road will by-pass the inhabited sections of the Island and tourists will be conveyed on arrival directly to the casino, where they will stay until their departure, at which time they will be taken straight back to the airport.

2.26 Mr Woodmore, the Managing Director of Christmas Island Resort Pty Ltd, told the Committee that the casino and gambling aspects of the resort, rather than the local attractions of the Island, would be emphasised in the short term:

... I have to say quite frankly that from the outset, in order to generate sufficient cash flow to support this project, we must rely almost exclusively on the casino market. It is our plan then to expand the resort into general areas which will help everybody else on the Island ... I sincerely believe that the casino will serve as a catalyst to attract other things. A casino is needed to bring in the volume which enables the air service to become economically viable and then the other developers will be able to take advantage by building other resorts. If there is a perceived market for general tourism on Christmas Island and we are not filling it, obviously someone else will fill it. We have provided the air service, we have made it viable, we have brought the infrastructure and the other services to the island, and we have upgraded the airport to make it possible, so if that market exists, surely it will emerge over the next few years.⁶

⁶ Evidence, p128.

2.27 There has also been disquiet about the local employment opportunities that the casino project will generate. The agreement between the Commonwealth and the developer provides only that the developer will use his 'best endeavours' to employ local labour. It is only in relation to the Company's operation of the airport as a licensee that there is a firm agreement. In this case, 75 per cent of employees of the airport operating company are required to be Christmas Island residents.

2.28 Christmas Island has had a recent history of industrial dispute and the concerns of the Union of Christmas Island Workers need to be considered by any development proposals on the Island. The Secretary of the Union told the Committee that he expects the local workforce, after retraining, to fill 85 per cent of the estimated 300 positions involved in the operation of the resort. The Union also expects considerable flow-on in terms of other tourist developments after the casino commences. DASETT's expectation is that the project will create 100 jobs during the construction phase and 200 during the operation of the resort, and that the proportion of these positions filled by local people would depend on their skills and abilities and the impact of proposed training programs.⁷

2.29 Mr Woodmore is reluctant to commit himself to any firm prediction of the actual level of employment his project will generate for the local workforce. However, he told the Committee that discussions with potential contractors had given some indication of likely employment levels:

... wherever possible, as a matter of policy, they intend to give the first right of employment for any job to existing residents of Christmas Island. They were not so enthusiastic about bringing former residents of Christmas Island back to Christmas Island unless they could demonstrate the requisite skills. But in terms of those who are currently resident when we start the project, we will be offering them first right of employment. If their skills are marginal, we will still employ them because our agreement with the Union does not include add-on costs that we would have to pay to bring up mainlanders ...

It is my opinion that during the construction phase, based on our discussions with the contractor today, we will find jobs for a peak work force of about 50 locals. It will be varying during the course of the construction depending upon the phase of the construction in which we are engaged. Upon completion, of course, we will have the operating phase. Federal Hotels representatives have informed me that when the hotel and casino are fully operational we will need 320 people full time. Looking at the unskilled jobs, such as kitchen hand, and the partially skilled jobs that people would learn from some training, we expect that about one-third of those would be Christmas Island residents, so in round figures there would be about 100 on completion.⁸

2.30 The Commonwealth's agreement with Mr Woodmore's company also states that:

the Developer further acknowledges there will be opportunities for the development of supporting industries on Christmas Island when the Hotel/Casino commences operation and the Developer hereby agrees to use its best endeavours to encourage Christmas Island residents to participate and invest in new business opportunities to the maximum extent possible.

⁷ Evidence, p34.

⁸ Evidence, p136.

2.31 In this regard Mr Woodmore told the Committee that the resort would make space available in its premises for other businesses, such as restaurants, to operate.⁹ In the long run, he considered that guests would be encouraged to make return visits if alternative activities and venues were provided. Eventually the project would be targeted at general tourism, not just the gambling market. If the project develops in this way, it will provide a stimulus to other tourism and service operations.

2.32 Some other smaller scale tourism operations based on existing facilities have been proposed for Christmas Island. One venture, Christmas Island Expeditions, has commenced. This company's operation involves plans to conduct one and two week tours, some of which will involve both Christmas Island and the Cocos Islands. The tours will originate in Perth and Singapore. The major obstacle to the establishment of this venture has been problems with the air charter. The company's manager, Mr Peter Goh, has been critical of the Administration's failure to deal with this issue, but DASETT has since advised the Committee that, with the introduction of new charter arrangements, it now has scheduled services for the remainder of 1990 and 1991. It is expected that this will facilitate the activities of Mr Goh's tour company.

⁹ *Evidence*, p137.

3. FINANCIAL CONSTRAINTS AND INFRASTRUCTURE

3.1 If the constraints and difficulties can be overcome, it appears that there is interest from tourism developers in establishing industries in both Territories. This may not generate employment and local income at the level that will make the Islands *economically independent but there is no doubt that tourism could play a major part in making the future economies viable*. In view of the long term costs to the Commonwealth if the Territories do not become economically self sufficient, it is appropriate for the Government to sustain some costs in the short term to assist tourism ventures to become established. Without assistance from the Commonwealth a tourism industry might not become established even though in the long run it could become profitable. It would, however, be undesirable for the Commonwealth to subsidise an industry over a long period.

3.2 The Committee considers that, for any tourism development in the Cocos and Christmas Islands to proceed:

- . it must be financially successful for the developers and operators;
- . there must be overall benefit to the local community; and
- . there should be no long term costs to the Commonwealth.

3.3 Tourism enterprises in the Islands will need to face many obstacles in achieving financial success and social and environmental acceptability. In some cases the obstacles can be removed or overcome but in other cases any tourism enterprise will have to make allowances or be modified. Environmental considerations and the need to protect the rights and culture of the local community should be the overriding factors. These are discussed in Chapter 5. This Chapter discusses some of the financial issues.

Financial Constraints and Market Uncertainties

3.4 Both of the Territories are untested destinations for tourists and the market is uncertain. Any new tourism development will face competition from existing and proposed resorts in the Indian Ocean and South East Asia. The high travel costs will act as a deterrent to potential tourists from the east coast of Australia who will find tropical resorts in North Queensland and the Pacific to be cheaper and therefore more attractive.

Potential tourism operators will have to develop their proposals with these market limitations in mind and may initially find it difficult to compete until the Islands are established as reliable and attractive destinations. A representative of DASETT told the Committee that:

there is a number of alternative resort-type developments throughout the South East Asian region and Cocos would be in competition with those if it were developed as a typical island resort ... Cocos may have disadvantages because, as its wage structure moves onto Australian rates ... it will have that wage disadvantage that all Australian tourist resorts have in relation to others in South East Asia.

One of the key issues for the local council and for the Government to address ... is, where Cocos tried to position itself in the market-place. I do not think it is solely a matter of the local community having a view as to what kind of development it wants in terms of a social impact. It is a question of what the market-place wants.¹

3.5 Any uncertainty associated with proposals to develop tourism in previously untried areas will be compounded by the general uncertainties surrounding the Australian tourism industry following the airlines dispute and the volatility of financial markets. Major resort developers have had problems in raising the finance required to initiate their projects. Mr Woodmore told the Committee that:

bankers ... have not been particularly supportive of tourist institutional investment ... until there is irrefutable evidence of the viability of tourism on Christmas and Cocos, it is going to be extremely difficult to raise money ... so they are the problems that everyone is facing up to there at the moment ... I am sure that smaller developers are going to face this difficulty.²

3.6 Mr Woodmore revealed that his Singapore-based parent company, which has been involved in major development projects and has substantial assets, was able to borrow only \$4 million from its bankers against security of the Christmas Island project. The project has been reliably valued at well over \$30 million. As a consequence, funds had to be raised from private sources, but the task was made easier by the fact that the project includes a casino which will contribute markedly to its success in attracting tourists from the South East Asian region.

Major Transport Infrastructure Needs

3.7 DASETT has identified four factors which could affect the viability of tourist ventures in the Territories:

- the isolation and associated transport and freight cost;
- the lack of infrastructure, both public and private;
- the lack of local experience and sophistication in dealing with tourism or commercial developments of any kind; and

¹ *Evidence*, p11.

² *Evidence*, p120.

the antiquated legal and regulatory environments of the Territories.

3.8 The first two of these four factors will directly add extra costs to tourism developments because there will be a need for developers to provide the supporting infrastructure themselves. The Heads of Agreement with the Christmas Island casino resort developer includes the requirement that the airport be leased to a company established by the developer which will at its own expense operate, maintain and develop the airport to the standards required by the Commonwealth. The casino licensing fee will also be used to fund additional public services required by the project, including the casino inspectorate. The developers have pointed out that they acknowledged the importance of an adequate air service by committing almost \$2 million to prepare the airport for tourism. This included installing new navigation and communication systems, resurfacing the runway and extending and renovating the terminal. It appears that these requirements have not prevented the Christmas Island project from proceeding, probably because it is expected that the operation of the casino will make the project viable despite these cost impositions.

3.9 Casino revenue will not be available to support a resort in the Cocos Islands; however, the Government responded to the Direction Island proposal by agreeing to provide \$1.57 million to upgrade the Cocos Islands airport infrastructure only if the developer agreed to contribute \$500,000. The work proposed for the Cocos Islands airport includes construction of a new terminal building to handle international tourists and the purchase of additional navigational equipment. The Cocos (Keeling) Island Territory Administrator, as licensee, will be financially responsible for the normal maintenance of airport facilities. However, the Department of Transport and Communications has determined that any developer or user of the airport whose activities result in requirements for increased air services will be expected to meet the cost of any airport upgrading required. Any extensions to or upgradings of the airport which are brought about by changes in the number or type of aircraft using the Island, and which are directly and solely attributable to changes at the proposed resort, would have to be funded by the developer.

3.10 The Committee was advised by DASETT that prospective developers of tourist resorts in the Cocos Islands have expressed concern about this requirement.³ DASETT submitted that the imposition of heavy establishment costs on prospective developers could jeopardise the development of the Cocos tourism industry and result in decisions not to invest.

3.11 Following its inquiry into the Cocos (Keeling) Islands, the Commonwealth Grants Commission found that:

given the crucial importance of tourism to the Cocos economy, it may well be the case that financial incentives designed to encourage the investment necessary to establish a viable industry in the Territory should be considered against the long-term political, financial and social costs of not having such an industry. Given the relatively high and continuing costs for the Commonwealth in maintaining the Cocos community in the absence of tourism, it seems to the Commission that demands by the Commonwealth for substantial contributions to infrastructure costs by developers may well be

³ DASETT, *Submission*, p30.

counter-productive. Given the unique circumstances prevailing on Cocos, the Commission suggests that, in responding to any future proposals, serious consideration be given to deferring any direct developer contributions until the projects become operational and, at that stage, relating such contributions directly to the profitability of the projects.⁴

3.12 The Commission concluded that the commitments made to the Cocos Islands community by the Commonwealth Government should take precedence over budgetary constraints which might from time to time face the Government.⁵ DASETT also considers that the cost of infrastructure relative to the level of investment in tourism projects could be an inhibiting factor unless there is a Government commitment to contribute to essential infrastructure which is used by the Commonwealth as well as by tourists.⁶ The Department told the Committee that demands placed on developers to upgrade airports to regular public transport requirements should be examined in the light of mainland practice. DASETT holds the view that the circumstances surrounding the Christmas Island project are unique and the requirement for the developer to contribute to the airport upgrading should not be used as a precedent for other developments in the Territory.

3.13 The Cocos (Keeling) Islands Council considers that the upgrading of public facilities such as the airport and ferry services should be funded in total by the Commonwealth in accordance with the original commitment to raise the level of services and standards of living of the Cocos Malay community to Australian levels by 1994. The Council has also advocated that private investment in the Territory should be encouraged with appropriate financial incentives.⁷

3.14 In recognition of the need to encourage tourism, the Government has proposed that the Memorandum of Understanding being negotiated between the Commonwealth and the Cocos (Keeling) Islands Council and the Cocos Co-operative should deal sympathetically and expeditiously with development proposals. It is also likely to state that the Commonwealth will give priority to capital works projects associated with alternative industry development.

3.15 The Commonwealth should take further steps to create a more favourable climate for tourism investment in both Territories than exists on the mainland. On the mainland, new tourism developments make use of, and therefore place additional demands on, existing public infrastructure and services. Developers are not usually asked to directly contribute to the funding of such facilities; nor do they encounter the additional costs facing developers in the Indian Ocean Territories.

3.16 The granting of a lease and a casino licence to the Christmas Island resort has facilitated that project and so far it is the only tourism proposal which seems likely to overcome all the obstacles. The ability of the Christmas Island developer to contribute to the upgrading of the airport is influenced by the expectation that the contributions will

⁴ Commonwealth Grants Commission, *Second Report on Cocos (Keeling) Islands Inquiry 1989*, p30.

⁵ *op. cit.* p4.

⁶ DASETT, *Submission*, p66.

⁷ Letter to the Committee from Haj Wahin bin Bynie, Chairman, Cocos (Keeling) Islands Council, 30 November 1989.

be offset by casino revenue. The Committee considers that, unless special circumstances such as this apply, requirements to contribute to infrastructure costs are inimical to the development of tourism and contrary to the Government's obligations to the local communities. When tourism ventures become established, however, it may be appropriate for the Commonwealth to seek contributions for any further expansion of infrastructure to support expansions of the tourism ventures. The Committee recommends that:

(2) with the exception of the Christmas Island casino project, the Commonwealth Government:

- waive requirements that developers contribute to the upgrading of public infrastructure required to support tourism proposals on Cocos and Christmas Islands; and
- undertake to upgrade infrastructure where it is necessary to do so to attract and facilitate tourism enterprises.

Air Services

3.17 Even with upgraded airport facilities, the development of a substantial tourism industry will be hampered by the current air services: a reliable and predictable air service operating regular and low cost flights is necessary. DASETT proposes to operate 46 weekly charter services a year but flights can be cancelled at short notice when low loadings would result in operating losses. If the tourism industry can guarantee a minimum number of passengers the charter would become more economic and more reliable. However, the tourism industry is unlikely to develop to the scale where it can do this until such time as the air transport service is regularised. The Department told the Committee:

The ideal solution for the Islands, of course, would be to have scheduled airline services but, to date there has been no operator willing to enter the market, presumably because operators have come to the conclusion that with the current state of development on the Island you cannot operate that service on an economically viable basis.⁸

3.18 It has been suggested to the Committee that problems associated with the lack of scheduled air services are exacerbated by operational limitations due to the short runway on Christmas Island. Whereas any type of aircraft can land at Cocos, the Christmas Island runway is limited. This means that the economy of scale of a service to both Cocos and Christmas Islands can only be achieved by those aircraft which are licensed to fly the extensive trans-ocean sector yet are small enough to land at Christmas Island. This constraint is more significant to the Cocos Islands, where any tourist development is unlikely to have the advantage the Christmas Island's casino will have in being able to attract visitors from South East Asia.

⁸ Evidence, p51.

3.19 The tourism developers themselves have become involved in attempts to upgrade air services; this is not unreasonable given that the main demand for improved services comes from their proposed developments. The developer of the Christmas Island casino has reached an agreement with an Indonesian airline to provide a regular service to the Island from Singapore and Jakarta. It is proposed that from September 1990 there will be two or three flights per week, but a daily service will be established if the gaming market develops as expected. These flights will be operated as 'regular charters' and; although they must comply with international standards for regular passenger transport, they are not subject to lengthy and complex bilateral negotiations for air rights between Australia, Singapore and Indonesia.

3.20 Compared with putting a northern service into place, the developer is finding that making arrangements for a regular service from the Australian mainland is much more difficult. Recently introduced regulations restrict the type of aircraft which may be used and the twin engine F28 jet which will operate the northern service may not be acceptable on the southern route. The developer told the Committee that, in the absence of a satisfactory arrangement for the southern route, the airline that is going to provide the northern services may also eventually provide the southern services by default, provided that it is given the necessary permission.

3.21 DASETT has made efforts to overcome the aviation problems; for example, it convened a seminar in Perth in an attempt to encourage proposals from airline operators, and it also gained approval from the aviation authorities for B737 jet aircraft to be licensed for the Christmas-Cocos service. In addition, DASETT approached the Department of Transport and Communications regarding approvals for airlines operating the northern charter, which is considered to be an international service, to also operate through to the mainland, which is considered to be a domestic service. Present aviation policy generally prevents international carriers from providing a domestic service on their flights. The Department's representatives told the Committee that 'we have approached the other Departments previously but we ran into a brick wall.'⁹

3.22 Some other potential operators of tourist ventures have also noted problems in developing adequate air travel arrangements and, unlike the developer of the Christmas Island casino, they have been critical of DASETT. The manager of Christmas Island Expeditions wrote to the Christmas Island Administration in January 1990 pointing out that the reduction in the frequency of the southern charters which had occurred in 1989 was not conducive to the promotion of tourism in either Territory. The changes that occurred to the DASETT air charters necessitated changes to the company's proposed schedule of 1990 departure dates on three occasions. These changes caused concern to the company's customers and were having an adverse effect on the attempts to establish this venture.

3.23 During 1988 and 1989 the company made efforts to obtain an agreement with DASETT and the Christmas Island Administration about the operation of the charter. None of the replies to the Company's numerous representations provided an adequate solution. As a minimum, it was proposed that the southern air services be operated to

⁹ Evidence, p55.

coincide with the weeks that the Company's tours were intended to take place. DASETT's advice to the Committee that it is doing all it can to assist the company reflects a constructive approach but, in the absence of a regular passenger service to replace the southern charter, there is still doubt surrounding the likely long term success of this venture.

3.24 The proponent of the Direction Island resort on the Cocos Islands advised the Committee that, for his project to proceed, it was vital that there be regular public transport air services from Australia and Singapore on at least two days per week. Ideally, the airline operator would be allowed to continue on from Cocos to Singapore after departing from Perth and would be able to pick up international passengers.¹⁰ Both DASETT and the developer have endeavoured to change the attitude of the Civil Aviation Authority towards using 737 aircraft on regular passenger transport routes to Christmas and Cocos Islands. This type of aircraft is approved for charter use and, although approval for commercial services has not yet been obtained, DASETT is optimistic that approval will be given by the time a resort is operational in the Cocos Islands.¹¹

3.25 Whether or not regular passenger transport air services are established will depend on commercial judgements made by airline operators. A favourable judgement is unlikely to be made until it is clear that a tourism industry has been established or will become established concurrent with the introduction of the air services. In the meantime, it may be necessary for initial tour operations to depend on charters, whether arranged by the Commonwealth or the tourism operators themselves. It appears that the development of adequate air links is also being hampered by existing aviation policy and regulations.

3.26 It should be possible to come to an arrangement which allows carriers to transport domestic and international passengers to and from the two Territories. The Civil Aviation Authority and the Department of Transport and Communications need to approach the aviation policy matters in a way that recognises that the Cocos and Christmas Island Territories are in special situations and that the Commonwealth has made certain commitments to the local people. Allowances need to be made to facilitate the establishment of tourist operations and provide services to local people. The approach should be 'how can we accommodate the development of tourism on the Island', not 'how will tourism operations have to be constrained to fit existing aviation policy'. Further meetings need to be held between tourist developers, DASETT, aviation authorities and airlines to identify the requirements and possible solutions. DASETT has already conducted some negotiations, but a more concerted joint effort involving all interested parties needs to be made. The Committee recommends that:

- (3) the Commonwealth Government urgently review those policies and regulations which might act as an impediment to the introduction of regular passenger transport air services to the Christmas and Cocos Islands.

¹⁰ Christmas and Cocos Island Tours Pty Ltd, *Submission*, p20.

¹¹ Letter from DASETT to Mr John Walker, 9 March 1990.

3.27 The Committee further recommends that:

- (4) the Department of the Arts, Sport, the Environment, Tourism and Territories convene a conference of all parties interested in the air service to the Indian Ocean Territories, including potential tourism operators, airlines and aviation authorities, to resolve problems with the existing service.

Other Infrastructure

3.28 The upgrading of public infrastructure, including water supply, sewerage, telephones, electricity and television will improve the viability of tourism developments in both Territories. While major tourism developments such as the Christmas Island casino project or the Cocos Island resort will need to make their own arrangements for these services, smaller scale ventures will be more dependent on public infrastructure.

3.29 The main infrastructure problem in relation to the development of tourism on Christmas Island is the lack of suitable accommodation for small scale ventures. There are about 1,200 accommodation units available on the Island of which only about 400 are occupied. The unoccupied units could be attractive to small or specialised tourist ventures seeking to avoid high initial capital outlays on accommodation facilities and the Committee has a list of fourteen organisations and individuals who have indicated to DASETT that they are interested in developing tourism accommodation. There are other proposals for development on the Island which would create a demand for accommodation units and, if labour is imported for the casino project either at the construction or the operation stage, this may also generate a demand for housing. Even though there is a large number of unoccupied units, they are in such poor condition that it is possible that there will be a housing and accommodation shortage on the Island. Considerable work would have to be undertaken to renovate and upgrade them.

3.30 DASETT considers it preferable to reserve two or three sites to meet the expected demand for tourism purposes and demolish the remaining dwellings to reduce local housing and infrastructure costs while improving the overall aesthetic appeal of the Island. The Department advised the Committee of its intention to make leases available for auction once guidelines to the Island Administrator's powers in relation to the Christmas Islands Land Ordinance were agreed to and when property valuations were completed. It was thought at that time the auctions would occur in October or November 1989.

3.31 In April 1990 DASETT advised the Committee that the auction had been delayed pending agreement with the Christmas Island Assembly about the identification of units to be made available for purchase. In June it advised that agreement had been reached and that five properties will be put up for auction in September 1990. Two of the properties could be developed for tourist accommodation and two are being made available for redevelopment as tourist-oriented retail outlets. One site is undeveloped and is being offered as a location for a new four star tourist resort. Although it may be some time before small scale tourism ventures become established either independently or as a flow on from the casino project, properties should be made available as soon as

possible because there may be some lead time required before they can be refurbished. Moreover, proponents could consider the availability of suitable accommodation as a prerequisite to putting tourism development proposals forward.

3.32 The Committee is concerned about the delays that have occurred in bringing suitable properties to auction on Christmas Island. If the proposed auctions do not take place as scheduled or if they fail to attract bids above the Commonwealth's reserve prices, then the Government will have to act quickly to reschedule them or seek some other equitable method of making the properties available for purchase. The Commonwealth should also immediately identify other properties that are surplus to requirements and which could progressively be brought onto the market in the near future.

3.33 The Committee therefore recommends that:

(5) the Department of the Arts, Sport, the Environment, Tourism and Territories and the Christmas Island Administration immediately:

- make available leases for tourist developments and accommodation either by auction or direct purchase; and
- develop a program to identify other surplus properties suitable for lease and progressively bring these onto the market.

3.34 The Committee further recommends that:

(6) the leases made available for tourism developments on Christmas Island contain special conditions and performance clauses designed to prevent speculation and ensure that the properties are developed for viable tourism ventures within a specified time.

3.35 The infrastructure on the Cocos Islands is in some aspects less complete than that on Christmas Island. Industrialisation on Christmas Island arising from operation of the phosphate mine led to the construction and maintenance of the basic infrastructure, although it would now be seen as inadequate and in need of repair. In the Cocos Islands the infrastructure has been tailored to the needs of the communities on Home Island and West Island. A new resort on an uninhabited island will need to be self sufficient and provide its own power, water, drainage, sewerage and rubbish disposal systems. On some islands, notably Direction Island, desalination supplemented by rainwater collection systems will be required to provide an adequate supply of fresh water.

3.36 In the Cocos Islands, the small land mass limits the need for internal travel systems to a few short roads. However, the existing inter-island ferry service provided by the Administration may be inadequate or inconvenient for tourists. DASETT submitted that increased traffic between Home and West Island and the other islands in the group because of tourism would require the introduction of additional ferry services. These could be provided by the tourist developer, the Cocos Islands Co-operative, or the Administration. DASETT considers that a private service would be desirable but this is a matter that cannot be resolved until it is determined which tourism proposal will go

ahead. Unless the Administration or the developer establishes a service which increases the options, proposals for tourist development are likely to focus on those islands which are easily accessible by conventional hulled craft: Home, West and Direction Islands. Easy access to most islands would be possible by hovercraft, for example, and would allow a developer to consider more options for resort location and tourist activities.

3.37 There is potential for worthwhile employment to be provided to the local population in both Territories, at least in the short term, in works to upgrade facilities. On Christmas Island in particular there is a need to generally clean up the island, demolish damaged and deteriorating buildings and remove abandoned mining equipment. Such works would facilitate and encourage tourism and they would also provide employment until such time as tourism becomes established. The Committee recommends that:

- (7) the Commonwealth undertake a public works program on Christmas Island to upgrade general facilities.

Workforce Skills and the Need for Training and Education

3.38 The principal benefit of tourism will be the creation of employment for local people. The extent to which this occurs will be limited by the educational levels of the people and their capacity for employment in the industry. The proponent of the casino development on Christmas Island has an agreement with the Commonwealth and the Union of Christmas Island Workers to employ local people in preference to importing workers. This agreement had to be qualified with the provision 'where possible' because it was unclear what skills and capacities the local workforce had.

3.39 The workforce in both Territories has developed skills in copra production and phosphate mining as well as skills associated with some clerical occupations, stevedoring and service industries such as power station operations. In neither Territory, however, does the workforce have tourist related skills and a high level of proficiency in the English language. The skills upgrading process will be a gradual one, particularly given the language difficulty. Both communities acknowledge that labour will have to be imported from the mainland to perform certain jobs which require special skills that the local workforce has not yet developed. DASETT told the committee that there is also a general acceptance that on-the-job training will allow local labour to progress through the organisation.

3.40 Some attention has been given to teaching English as a second language in both Territories but it appears that it has not as yet made a significant impact. The focus on training, particularly in relation to the Christmas Island community, has shifted to Perth under the Government's retraining and resettlement scheme. It is considered that relevant vocational skills, as well as English proficiency, can be better developed where there are opportunities for employment in the hospitality industry.

3.41 Adults currently comprising the local labour force have generally either had no formal schooling or have not completed a primary education. A substantial proportion are functionally illiterate both in their own language as well as in English. Young workers, particularly those who have had access to mainland education or training, are gradually

becoming available with some skills; however, a significant impact will not be felt in the short term. Ms Bunce told the Committee that there is scope in Cocos for everyone to be trained to some degree but the young people have more potential. She stated that:

People who have not been to school certainly have the potential for training in specific areas but that training would probably need to be in Malay rather than in English first and then training through English.¹²

3.42 The Department of Employment, Education and Training (DEET) has developed an integrated training plan, to be implemented over a three year period from 1989/90, for Christmas Island and is negotiating with the Cocos Malay community over a Cocos Islands Training Program. A skills audit carried out during 1989 revealed the need for, among other things, English language training. Some courses have already commenced, with priority being given to English language and literacy skills for employment in the tourism industry.

3.43 In its training program on the Islands, DEET emphasises the need for English language training to enable locals to take up employment and to benefit from further training opportunities. This may initially meet with a low level of success among older members of the workforce, particularly on the Cocos Islands. DEET will therefore need to consider developing courses conducted in local languages until such time as English skills are increased. Not to do so would limit the employment prospects of much of the adult work force.

3.44 The need for training and education programs in the Cocos Islands is further recognised in the draft Memorandum of Understanding, which states that the Commonwealth will provide skills acquisition and training programs related to the development of alternative industries. To enhance the employment prospects of the Cocos Malay people, it is proposed that early and concentrated attention be given to upgrading language skills.

3.45 A representative of DEET told the Committee that 'training this particular group of people is extremely expensive because either they have to move to the mainland or trainers have to come to the Islands'.¹³ As some of this training might be directed specifically at preparing people for employment in the tourism industry, there is scope to consider the extent to which the industry should contribute to these training costs. The Christmas Island casino developer has already indicated to DASETT that his company would be more than happy to develop cadetships, traineeships and other training opportunities to improve the hospitality skills of the Islanders.¹⁴ He also sees a role for his company in identifying the available skills and the need for training on the Island and has called for the Commonwealth to assist in this regard.¹⁵ Further development of training strategies is being delayed until future employment opportunities are identified by all prospective employers, including the Government and tourism developers.

¹² *Evidence*, p105.

¹³ *Evidence*, p83.

¹⁴ *Evidence*, p143.

¹⁵ *Evidence*, p140.

3.46 The Committee considers it generally the Commonwealth's responsibility to provide training and skills upgrading as part of its commitment to the local communities and agrees with DEET that, where possible, this training should be directed at specific employment opportunities and be undertaken in relation to real employment prospects. To this end, it is appropriate for private developers to be involved in identifying skill needs and the scope of training programs. In some cases it would also be appropriate for the private developers to contribute to the costs of providing these services. The Committee recommends that:

- (8) **the Commonwealth Government seek formal agreements with developers of major tourism projects in the Cocos and Christmas Islands concerning the provision of traineeships and other training opportunities for members of the local communities who could be employed in the tourism industry.**

3.47 The extent of employer involvement in training activities will be influenced by the Commonwealth's Training Guarantee legislation, which commits major employers to at least a specified minimum expenditure on training. The relevance of this program to the provision of training in the Christmas and Cocos Islands needs to be monitored.

3.48 There is also potential for the increased role of the ANPWS in the Territories to create employment opportunities for locals. However, this may not be possible unless local people are given training in ranger duties. The Committee recommends that:

- (9) **where possible, the Australian National Parks and Wildlife Service give preference to the employment of residents of the Christmas Island and the Cocos (Keeling) Islands Territories for positions on the Islands and that it provide training courses for local people to be employed as ANPWS staff.**

4. ADMINISTRATIVE ISSUES

4.1 Although increased tourist arrivals would place demands upon various public services including immigration, customs, police and national park authorities, DASETT considers that the advent of tourism will not impose a significantly increased administrative burden. The Department approached fifteen other departments and authorities which potentially have an interest in such matters and found that in most instances it is anticipated that the services can be provided from the existing resources of the Islands' Administrations and other Government authorities represented in the Territories.

4.2 The main services most directly related to tourism and therefore most likely to be affected are consular activities, customs and quarantine. Under arrangements with the Departments of Foreign Affairs and Trade and Immigration, Local Government and Ethnic Affairs, officers of the Administration on both Islands assist residents and visitors with citizenship, immigration and travel documentation matters. DASETT expects this situation to continue even if the number of tourist arrivals increases.

Quarantine

4.3 The import of animals to Christmas Island is controlled by the Administration. Food stuffs which are imported from areas where there is a risk of contamination are inspected before clearance and all vessels intending to enter the port need to be cleared by the port health officer. The *Quarantine Act 1908*, pursuant to which quarantine regulations are established, does not extend to Christmas Island, so quarantine there is administered under a local ordinance and supervised by police seconded to the Island Administration. The ANPWS also provides considerable quarantine policy and management assistance to the Christmas Island Administration through the Government Conservator, but considers this arrangement unsatisfactory as the Conservator is not specifically trained in quarantine matters and adequate surveillance takes too much time.

4.4 The ANPWS is concerned that effective quarantine management on Christmas Island is now proving difficult and the situation could be exacerbated with tourism development. The organisation strongly believes that provision must be made for adequate quarantine surveillance and management, both of incoming tourists and of associated air and sea cargo, when the tourist industry develops. To provide the means of meeting this demand, adequate quarantine staff and training should be provided. The ANPWS believes that consideration should be given to:

- . the extension of the *Quarantine Act 1908* to the Island, and either
- . the assignment of appropriate Australian Quarantine Inspection Service staff to the Island, or
- . the provision of training for specialist Island Administration staff.

4.5 The Cocos Islands contain a high security animal quarantine station where farm animals imported into Australia must spend a quarantine period before entering the mainland. Staff from the quarantine station and the Administration ensure that quarantine regulations are observed by visiting ships and yachts.

4.6 Effective quarantine is crucial to wildlife conservation on isolated islands such as Christmas and the Cocos Islands. Introduced weeds, pests and diseases have already had severe adverse effects upon the wildlife of the two Territories. The vegetation of both is highly modified by weeds, while introduced pests and disease have caused the extinction of two Christmas Island animals and considerably reduced the populations of a number of others.¹

4.7 The status of island wildlife could be threatened by imports to either Territory from the Australian mainland and South East Asia. The ANPWS pointed out that there is a greater risk of pest introduction from South East Asia to Christmas Island than to the Cocos Islands because Christmas Island has closer, more frequent and more varied transport connections with South East Asian countries. Introduced pests are also more likely to colonise Christmas Island because its environment is more complex than the Cocos (Keeling) Islands and contains more ecological niches to facilitate establishment. In 1987 it was discovered that a small South East Asian snake was introduced to Christmas Island, probably unintentionally in sea freight, and it appears to be rapidly establishing itself on the Island. The ANPWS is concerned that it may have a catastrophic effect upon the Island's wildlife.

4.8 The Committee is aware that the House of Representatives Standing Committee on Legal and Constitutional Affairs is inquiring into the legal regimes in the external territories. Therefore, it does not intend to comment in detail in this report on the application of Commonwealth law on Christmas Island, but the Committee considers that the quarantine question is significant in terms of tourism and the protection of the natural values of the Island. The situation on the Cocos Islands appears to be adequately catered for by the provisions of the Quarantine Act and the presence of the animal quarantine station. The Committee is concerned, however, that Christmas Island is at risk and this has already been demonstrated by the introduction of the exotic snake species. There is a need for an improved quarantine inspection service on Christmas Island and the Committee recommends that:

(10) the *Quarantine Act 1908* be applied to Christmas Island.

4.9 The Committee further recommends that:

(11) Australian Quarantine Inspection Service staff be seconded to the Christmas Island Administration to enforce the *Quarantine Act 1908*.

¹ *Quarantine in relation to wildlife and tourism on Christmas and the Cocos (Keeling) Islands - comment by the Australian National Parks and Wildlife Service, paper presented August 1989.*

4.10 Until the Quarantine Act is extended to Christmas Island and an Australian Quarantine Inspection Service presence is established, the Committee further recommends that:

- (12) as an interim measure, pending the introduction of a quarantine inspection service to Christmas Island, the specialist staff of the Administration and the Australian National Parks and Wildlife Service be provided with training related to quarantine inspection.

Immigration Controls

4.11 The developer of the Christmas Island casino told the Committee that the need to obtain a visa is a disincentive for people intending to visit Australia, particularly when the main purpose of their visit is to patronise a casino. This is especially the case for gamblers at the top end of the market who often make visits to casinos on impulse:

it would be a lot easier if the arriving visitors did not have to go to the trouble of obtaining a visa before they arrived. It is my observation that Australia, unfortunately, is lagging behind its neighbours with regard to visa free entries. I realise that there are arguments against that but on Christmas Island and probably on Cocos we have the perfect opportunity to test out the practicality of visa free entry.²

4.12 The Department of Immigration, Local Government and Ethnic Affairs (DILGEA) advised the Committee that it does not support the proposal that tourists to the Territories might be granted visas on arrival. As the Cocos Islands and Christmas Island are both prescribed Territories to which the Immigration Act extends, persons given entry permits under the Act for the purpose of entering the Territories have free right of movement anywhere in Australia. DILGEA considers that it would not be feasible to prevent the onward movement of tourists from the Islands and for this reason it is important that the screening process for visitors to the Territories be on a par with those for any other visitors to Australia. The processing of visa applications has been streamlined and most visitors can now be issued with a tourist visa across the counter. It is also possible for visitors to obtain multiple entry visas which are valid for up to twelve months.

4.13 In coming to its position of opposition to visa free entry, DILGEA may not have given due consideration to the unusual situation of the Territories and to the need to facilitate tourism. It is possible that procedures could be developed to allow limited visa free entry subject to a restriction that further travel beyond the Islands to mainland Australia would not be permitted without a visa allowing general entry to the country. Such procedures would be particularly desirable for Christmas Island, which faces some competition in trying to attract tourists from South East Asia. Visa free entry may be a solution and warrants more consideration than it has so far received from DILGEA. New procedures should be introduced and, where necessary, the Immigration Act should be amended and suitable regulations promulgated. It may also be necessary to modify the proposed upgrading of the airport terminals or to increase the capability of the Administration to administer migration controls.

² Evidence, p123.

4.14 The principal concern must be to prevent the entry of persons who would otherwise not be entitled or permitted to enter Australia but, subject to this requirement, special efforts need to be made to facilitate tourism. The Committee recommends that:

- (13) the Department of Immigration, Local Government and Ethnic Affairs develop new procedures, supported by any necessary amendment to legislation or new regulations, to facilitate tourist entry to the Christmas Island and the Cocos (Keeling) Islands Territories.

4.15 Whilst the Committee supports the introduction of provisions that will make it easier for tourists to enter the Territory, it would not support proposals to ease normal restrictions on the entry of other categories of visitors to the Territories unless special circumstances exist, such as the need to recruit foreign workers. Non-Australian labour should be imported only in accordance with existing migration provisions, except in those cases where suitable labour is not available in the Territories and nor can it be recruited from the mainland. In these circumstances, short term entry should be permitted, but only pending the completion of training courses for the local people.

Customs and Taxation

4.16 Both Islands are duty free ports. Imports are therefore generally admitted free of customs duty. However, local customs duty is payable on Christmas Island on imported intoxicating liquor. Goods produced in the Cocos Islands are exempt from customs duty when they are imported to the mainland. Similar provisions are to be extended to the Christmas Island Territory.

4.17 Taxation currently does not apply to the Cocos Islands, although this situation is being reviewed in the light of the Commonwealth commitment to raise the Cocos Malay community's living standards to Australian levels. The draft Memorandum of Understanding being negotiated between the Government and the Cocos (Keeling) Council provides for the introduction of income tax and fringe benefits tax from July 1992, with company tax commencing in July 1991. Normal personal income and company tax provisions already apply on Christmas Island subject to a zone allowance on personal income.

4.18 DASETT submitted that, in respect of the Cocos Islands, continued tax free status would be a major inducement to tourist investment at relatively limited cost to the Commonwealth in terms of taxation revenue forgone. The Committee considers that the proposal to introduce company tax on the Islands next year should be reviewed. Exemption from the tax should not be available indefinitely, however, as this would be contrary to the move to mainland standards; but it could be retained until 1994. The Committee also considers that other inducements such as the duty free status should be retained in both Territories to encourage tourism. The Committee accordingly recommends that:

- (14) the duty free status of the Christmas Island and the Cocos (Keeling) Islands Territories be maintained indefinitely and the tax free status of the Cocos (Keeling) Islands Territory be maintained until July 1994 or until such time as a viable tourism industry is established, whichever occurs first.

Regulatory Controls for Protection of the Environment

4.19 Legislation applying to Christmas Island is a mixture of Singapore colonial law, local ordinances under the Christmas Island Act and Commonwealth law. The Christmas Island National Park is managed by the ANPWS pursuant to the *National Parks and Wildlife Conservation Act 1975*. Almost all of the other environmental protection legislation which extends to the Island relates to particular categories of protection rather to the environment as a whole. The exception is the Environment Protection (Impact of Proposals) Act under which the environmental impact of developments may be assessed. This Act does not provide ongoing environmental protection or monitoring, however. There is no specific Commonwealth legislation relating to pollution and other aspects of environmental degradation and many of the Island ordinances are out of date or of little relevance to current Island circumstances.

4.20 The legal basis by which environmental aspects of the casino resort development are controlled is stipulated in the lease agreement. While the Commonwealth has determined that an environmental impact study for the resort is not required, the agreement includes environmental operating conditions. These provisions are very generalised and provide, for example, that 'the Developer agrees to co-operate with the Conservator with regard to matters affecting the natural and scenic values of Christmas Island'. They do not include provisions for enforcement or monitoring and they do not detail the specific rights and roles of the developer and the Conservator in environment protection. The agreement includes provisions such as:

- incorporate appropriate environmental protection clauses in construction and maintenance contracts; and
- implement maintenance schemes to ensure the visual quality of the development is retained and to ensure that all infrastructure associated with the proposal is maintained to appropriate standards.

4.21 These provisions are so imprecise that it is likely that they will lead to some uncertainty and conflict. There are also some doubts about how they will be enforced. The ANPWS will be involved in monitoring all of the projects to ensure the environment is protected, but representatives told the Committee that there is no legislation under which the environmental guidelines can be enforced. If the guidelines are not met, the only recourse available to the ANPWS is termination of the lease. A representative of the ANPWS told the Committee that:

Basically we do not have powers. We would certainly advise presumably the Administrator that something needed to be done, and presumably the Administrator would advise the Minister. It is not satisfactory from that point of view. In our submission to your companion committee, the Constitutional and Legal Affairs Committee, we did identify this legal regime, or lack of it, as a major problem ...

I think we need to be clear that the proponent for the casino has agreed to these environmental conditions as part of the process of getting approval to go ahead; he has said that he will adhere to these conditions. So one would presume, at least, that there is an element of a willingness to abide by the conditions that have been set down.³

4.22 The ANPWS believes that consideration should be given now, at an early stage in the rationalisation and diversification of the Island municipal and industrial base, to the enactment of comprehensive environmental protection legislation such as exists in several mainland states.

4.23 A similar range of legislation applies on the Cocos Islands as on Christmas Island. There is no comprehensive environmental legislation, but proposed tourist developments would be subject to the Environment Protection (Impact of Proposals) Act and approvals for tourist developments would only be given subject to proposals meeting certain environmental requirements.

4.24 The development of tourism, according to the ANPWS, can be expected to exacerbate the need for legislation containing adequate environmental safeguards. The ANPWS believes that tying environmental safeguards to conditions in the grant of government approval for developments is prone to inequity and perhaps inadequacy. In the next chapter the environmental conditions of the lease agreements for the development proposals are discussed in more detail. The Committee concludes that without an adequate legislative framework these conditions may not be sufficient to provide the high level of environment protection required in the two Territories.

4.25 The Committee recommends that:

- (15) the Commonwealth Government, in consultation with the local communities, develop comprehensive environment and planning legislation to ensure assessment and monitoring of the environmental and social impacts of tourism and other developments in the Indian Ocean Territories.

4.26 The Committee further recommends that:

- (16) North Keeling Island be declared a national park under the *National Parks and Wildlife Conservation Act 1975*.

4.27 Planning and design of future projects would be greatly facilitated if comprehensive environmental management plans for the Territories were available. The physical constraints to development caused by terrain, soils, reefs and lagoons should be identified and considered when evaluating proposals for tourism or when formulating land management policy. Extensive management plans have been devised for areas such as Norfolk and Lord Howe Islands and similar plans should be developed for the Indian Ocean Territories to ensure proper protection of the environment.

³ Evidence, p64.

4.28 Some development proposals are at an advanced stage and it is essential for the economic well being of the Territories that they proceed. To delay them while further studies are carried out and management plans are prepared would not be possible and would be unacceptable to the local communities. However, the Committee considers that all future major proposals should be deferred until such studies and plans are available. The Committee recommends that:

- (17) **the Commonwealth Government, in consultation with the Island communities, develop a plan of environmental management for each of the Indian Ocean Territories.**

4.29 The capacity of the ANPWS to discharge its functions on Christmas Island will also need to be reviewed if tourism develops. In relation to the organisation's resources on both Christmas Island and the Cocos Islands, a representative of the ANPWS told the committee that:

at the present time the resources are probably adequate within the nature of the constraints that are upon all of us. The difficulties that may arise ... once alternative developments really get going, and certainly once tourists start arriving in any numbers at either ...[Christmas Island or Cocos Island].. and also in the context of our role in trying to ensure that environmental requirements on any developers are adhered to. We would certainly have to look at the resources available to us at that time.⁴

4.30 The casino development has already put an extra demand on the role of the ANPWS. This will increase further if the national park is expanded and if tour groups with a special interest in the Island's natural resources visit the Island. The Committee therefore recommends that:

- (18) **the resources of the Australian National Parks and Wildlife Service be expanded as tourism develops in the Christmas Island and the Cocos (Keeling) Islands Territories and as the Service's role in supervising developments increases.**

⁴ *Evidence, p62.*

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that proper record-keeping is essential for ensuring transparency and accountability in financial reporting. This section also highlights the role of internal controls in preventing errors and fraud, and the need for regular audits to verify the accuracy of the data.

2. The second part of the document focuses on the importance of timely reporting and communication. It stresses that delays in providing information can lead to misunderstandings and hinder decision-making. The text encourages stakeholders to stay informed and engaged throughout the process, and to provide feedback as needed.

3. The third part of the document addresses the importance of collaboration and teamwork. It notes that successful outcomes often require the input and expertise of multiple individuals and departments. The text encourages a culture of open communication and mutual respect, where everyone's contributions are valued and taken into account.

4. The fourth part of the document discusses the importance of flexibility and adaptability. It recognizes that circumstances can change rapidly, and that the ability to respond to these changes is crucial for success. The text encourages a proactive approach to problem-solving, and the willingness to explore new solutions and strategies when necessary.

5. The fifth part of the document focuses on the importance of transparency and honesty. It stresses that building trust and credibility requires a commitment to openness and integrity. The text encourages stakeholders to share information freely and to acknowledge any mistakes or shortcomings. It also emphasizes the importance of clear communication and the use of simple, concise language.

6. The sixth part of the document discusses the importance of continuous learning and improvement. It notes that the business environment is constantly evolving, and that organizations must stay up-to-date on the latest trends and technologies. The text encourages a culture of lifelong learning, and the pursuit of excellence in all aspects of the organization's operations.

5. EVALUATION OF PROPOSALS

Proposals for the Cocos Islands

5.1 It appears unlikely that a resort will be built on Direction Island in the near future unless the Cocos (Keeling) Islands Council finds a new developer to revise Mr Walker's proposal. This remains an option. Alternatively, the Council may decide to proceed with Mr Plunkett's proposal only.

5.2 Negotiation over rentals will be a major factor in any agreement with a new developer. Disagreement has caused problems in the past. In coming to agreement on rental charges, the Council should consider the economic consequences of the proposal concerned not proceeding. The draft Memorandum of Understanding regarding the transition to mainland standards proposes that, in assessing the amount of rental to be charged for property leased to developers, the Council take account of the potential market and the broad range of potential benefits of a viable tourism industry.

5.3 Mr Plunkett's proposal for West Island could operate either along with, or as an alternative to, a resort on Direction Island. Mr Plunkett expects that the project would employ 30 or 40 local people in the first stage and would expand to provide employment for 50 or 60. This is not as many as the 70 positions that might have been created for local people if Mr Walker's proposal for Direction Island had proceeded, but there would also be other employment created in such areas as ferry and boating services, local tours and retailing.

5.4 The Cocos (Keeling) Islands Council will have to decide whether to seek a new developer for the Direction Island proposal or to proceed with the Plunkett proposal alone. However, the Committee considers that there are grounds for giving the Plunkett proposal for West Island priority because it allows the gradual introduction of tourism to the Territory and might be more acceptable to the Council. On the other hand, it may be that a development on a larger scale will eventually be necessary to encourage the normalisation of air services. In this case, Direction Island may need to be offered as a site to attract a developer prepared to establish a resort on the scale required.

5.5 DASETT has been inclined to concentrate on what it regards to be the more advanced proposals in its endeavours to establish a tourism industry in both Territories. In its initial submission to the Committee, the Department stated that, as the proposals of which it was aware were at a relatively advanced stage and were urgently needed, priority should be given to developing them rather than to attracting still more proposals. In this instance, the Committee does not agree. Of the four proposals the Department was then dealing with (including two for Christmas Island) only one has progressed significantly and three have failed or been withdrawn.

5.6 Neither DASETT nor the Cocos (Keeling) Islands Council should at this stage exclude any feasible and acceptable option. They should, however, join the proponents in commissioning market surveys to help determine what level of tourism is achievable, what sort of development should be facilitated and which sites should be used. This

amounts to a more direct involvement than either DASETT or the community have previously adopted. When asked about the Government's efforts in trying to identify potential tourism developers and its direct involvement is establishing the industry, a representative of DASETT stated that:

so far it has been left to market forces, to private developers and the Council as landowner to bring forward proposals.¹

5.7 Another representative stated:

I would not like the Committee to think that we had just been passive in relation to these things. We are keen, as you have probably gathered, for tourism development to take place, but with all the other things we have said too, that we want it done in conjunction with the Council and that the social impacts and all those issues are developed. We are not sitting back letting the Council take the sole running; we are trying to aid and assist the Council.²

5.8 The ANPWS advised the Committee that most environmental concerns associated with proposals for Cocos can be addressed satisfactorily. However, the ANPWS also believes that development should be restricted to the main atoll. Maintaining that North Keeling Island would be managed most appropriately as a national park or nature reserve, the ANPWS considers that no permanent tourist facility should be erected there. Tourist use would be restricted to visits of parties of fewer than ten persons at one time and be subject to detailed procedures.

5.9 The Committee remains concerned, however, that no environmental or social impact statements were prepared in connection with the Direction Island development. There may be only one chance to get the scale and location of developments right and adequate environmental and social contracts will need to apply from the start. A representative of DASETT told the Committee:

if the community set aside a site, which was developed in a low scale development which might minimise the impact on the community, but which took one of their key sites ... [and] ... if later on down the track they discovered that the low-key development was not in the correct market niche, and did not get the number of people to make it viable ... [then] ... the community, in a sense, would have taken its one chance to get a viable tourism industry. Its future options would then be limited, because it would have used up its best site.³

5.10 The Direction Island proposal was examined in detail in accordance with the provisions of the *Environment Protection (Impact of Proposals) Act 1974*. Following receipt of a Notice of Intention for the proposal, the Minister for the Arts, Sport, the Environment, Tourism and Territories advised that no environmental impact study was necessary, provided that specified conditions, including the preparation of a resort management plan for Direction Island, were met.

1 Evidence, p26.

2 Evidence, p26.

3 Evidence, p11.

5.11 Informal discussions with representatives of the Cocos (Keeling) Islands Council and the Cocos Co-operative Society in 1989 led members of the Committee to conclude that the community wanted both an environmental impact study and a social impact study to be conducted by an independent authority before any tourism venture is established. However, it appears from the Council's letter of 12 June 1990 to the Committee that it is now prepared to accept any environmental and social impact assessment that is also acceptable to the Commonwealth, provided that any likely adverse impacts are rectified. The Council stated that:

Council has received a copy of '*feasibility and Research Material*' prepared by the Direction Island proponent. It is not known whether the content complies with the requirements of any Government department. However, it has been referred to Council's solicitors for comment and if there are any shortcomings, they will be required to be rectified before Council's final approval is given. There is no doubt that the appropriate Government department(s) will be required to endorse any proposal entered into by the Council and this requirement will be contained in any formal agreement with prospective developers.

5.12 The Cocos (Keeling) Islands Council, in coming to decisions about supporting tourism proposals, must have access to information about likely social, financial and environmental impacts and must be in a position to assess alternatives. This does not mean that a full and formal impact assessment study needs to be undertaken for a small to moderate scale development of the kind proposed by Mr Plunkett for West Island. Decisions on the scope and status of such studies will need to be taken on a case by case basis. Given the Council's attitude, it is acceptable in the case of Mr Plunkett's proposal to waive formal environmental impact statements, provided that environmental operating conditions are imposed. There should also be a formal agreement between Mr Plunkett's company and the Council as well as a means of monitoring environmental and social impacts.

5.13 If Mr Plunkett's proposal proceeds, the Council should be given assistance from the Commonwealth to plan for and monitor the social impacts. One way for the local community to influence any development would be to take up equity or participate in the management of the development. It had been intended that the Cocos Islands Cooperative participate as a joint venturer in the Direction Island project and that the Council participate in project management.⁴ Neither the Council nor the Co-operative may have the capacity or desire to participate in project management and equity but it is an option that should be considered along with other factors when proposals are being considered for approval. The Committee recommends that:

- (19) the Commonwealth Government and the Cocos (Keeling) Islands Council enter into an agreement to assess and monitor the environmental and social impacts of tourism.

⁴ Christmas and Cocos Islands Tours Pty Ltd, *Submission*, p4.

5.14 The Committee further recommends that:

- (20) the Commonwealth Government provide resources to assist the Cocos Malay community manage the social changes that will result from the introduction of a tourism industry.

5.15 In relation to the general approval process for any tourism development in the Territory, the Committee also recommends that:

- (21) approval of any proposal for tourism development in the Cocos (Keeling) Islands Territory be dependent on:

- an opportunity being made available for the local community to take up equity or to participate in the management;

- the outcome of environmental studies and agreement on environmental management conditions;

- the initiation of social impact studies and the agreement to make necessary changes to project operations if adverse social impacts are likely or become apparent; and

- market research which shows that developments will be viable.

5.16 Mr Clunies-Ross' small scale operation probably did not have a significant impact on the Cocos Malay community. However, any future increase in tourist numbers on *Home Island*, where the potential direct impact on the Cocos Malay community is greatest, is a matter of concern. Tourism could have an adverse social and cultural effect unless considerable control is exercised over the tourists, but this may not be possible if there are large numbers of them or if they are not entirely catered for by organised tours. The Trustee in Liquidation of the Clunies-Ross family estate has acquired ownership of Oceania House and will move to dispose of the property. Its future use as a tourist facility is therefore uncertain. It is desirable that it not be used as a tourist base and it would be contrary to the interests of the Cocos Malay community if ownership were to pass to a new party. The building and grounds would be an ideal setting for the museum owned and operated by the Home Island community and could be accessible to tourists without intruding into the community living area. The Committee recommends that :

- (22) the Commonwealth Government acquire Oceania House and transfer ownership to the Cocos Malay community.

The Development of Tourism on Christmas Island

5.17 In some respects, arrangements for the control and regulation of the Christmas Island casino appear inadequate to deal with the situations that could arise if the Commonwealth's expectations as embodied in the agreement it has with the developer are not met. The Committee is concerned, for example, that the requirement for the

developer to use 'best endeavours' to employ local labour is open ended and there is a possibility that the casino will not have the direct economic benefits that are expected. If these benefits are not realised, the resort could face union opposition and the Commonwealth may need to continue to subsidise the local community. However, given the expressed intentions of Mr Woodmore and the provisions of the agreement, it appears that the casino project will create significant opportunities for the local community.

5.18 It appears that some work is not proceeding entirely according to the expected approval or supervision processes. Concern has been expressed by some Christmas Island residents that the new road between the airport and the resort has been constructed with grades that may be too steep for the soils and the high rainfall climate. DASETT told the Committee that construction started before advice had been received from Australian Construction Services on the adequacy of the plan.

5.19 While there is no doubt that the project should proceed, the Commonwealth has not so far managed its interests in relation to the casino as strongly as the Committee considers is desirable. The resort is a vital part of the Island's future and neither revocation of its licence nor resumption of its lease are desirable options, yet these seem to be the only sanctions available to the Commonwealth should it find its interests are not being safeguarded. The terms and conditions of the agreement provide no middle course of action. Accordingly, the Committee recommends that:

(23) the Commonwealth Government:

- . **adopt a series of performance objectives for the Christmas Island casino project to achieve in terms of environmental, social and economic impact;**
- . **monitor the performance of the project against these objectives; and**
- . **re-negotiate the terms and conditions if the project does not achieve the objectives.**

5.20 Projects such as that being attempted by Mr Goh have the potential to exploit the opportunities that will be created by the casino or to attract tourists with special interests. Initially, the contribution that each of the small projects might make to the Christmas Island economy is limited. Mr Goh expects to employ only one person in his first year of operation and to increase this to three people in 1991. However, he also expects to obtain services from others on the Island. Mr Goh has advised the Administration that he will provide his own guides and transport, although in the first two years of operation he will need to hire boats locally. The company also intends to seek other services, such as scuba diving, fishing, meals, accommodation and air transport, from other operators if the costs of doing so are reasonable. In addition, it is hoped that the business may be able to acquire and provide its own accommodation.

5.21 If only a few other such ventures become established, the combined economic stimulus would be significant and could fill the gap in the general tourism area that will exist until the casino expands from its gambling base.

5.22 The Committee considers that the Commonwealth should be doing all it can to encourage and facilitate potential operators such as Mr Goh to establish their businesses as soon as possible. It appears that DASETT and the Administration have not done enough to make this happen, despite the obvious economic benefits that will accrue and the subsequent reduction in Commonwealth outlays. Instead, they have concentrated on the casino proposal in the hope and expectation that other ventures will follow as a spin-off. However, as it may be several years before the casino project is ready to expand into general tourism, there is an immediate role for smaller ventures. The Commonwealth should deal with such ventures expeditiously as they are brought forward, subject to a review of the viability of the proposal. Eventually, market forces will limit the number and size of the operations that will be able to exist.

5.23 Provided that the small scale ventures utilise existing infrastructure, and the ANPWS has sufficient resources, powers and authority to perform its role on the Island effectively, the environmental impact of these ventures will not be significant. There are proposals to extend the Christmas Island National Park and the Committee believes that it is clearly in the interests of tourism to do so. However, if provision is to be made for tourists who are interested in diving, snorkelling or fishing, consideration may also need to be given to creating a marine national park.

5.24 With these controlling factors in place, the Committee considers that efforts to promote and encourage general tourism should proceed and recommends that:

- (24) the Department of the Arts, Sport, the Environment, Tourism and Territories give urgent priority to the development of general tourism on Christmas Island in the form of small scale special interest group tours.

JEANNETTE McHUGH
Chair

9 August 1990

APPENDIX 1

CONDUCT OF THE INQUIRY

In March 1988 the Minister for the Arts, Sport, the Environment, Tourism and Territories referred to the Committee for inquiry the question of tourism in the external territories in the Indian Ocean. On 17 March 1988 the Committee considered the Minister's referral and agreed to carry out this inquiry.

The Committee sought submissions from Government departments and authorities, representatives of the communities on Christmas and Cocos Islands, commercial tourism interests, potential developers of tourism and other ventures on the islands, and individuals.

The Committee found that it could not proceed with the inquiry until it had visited the Islands, met with members of the local communities and inspected the sites for potential tourism ventures. A visit to the Islands was not able to be arranged until July 1989 when a Sub-Committee consisting of Mr Webster (Sub-Committee Chairman), Mr Jenkins, Mr Lamb and Ms McHugh spent three days on Christmas Island and two days in the Cocos Islands. While on Christmas Island the Sub-Committee met with representatives of the Chinese Literary Association, the Islamic Association, the Union of Christmas Island Workers, individual residents, the Administrator and Administration officials. The Committee also inspected the Christmas Island National Park and the site for the proposed casino development. During its visit to the Cocos Islands, the Sub-Committee met with representatives of the Cocos (Keeling) Islands Council and the Cocos Islands Co-operative. It also met with Mr John Clunies-Ross Jr and inspected the sites of potential tourism developments.

The principals of the development companies proposing tourism ventures in both Territories attended public hearings, held in August and December 1989, and made submissions to the Committee. A list of submissions received by the Committee and a list of witnesses who gave evidence at the hearings are attached as Appendices 2 and 3.

The Committee was greatly assisted by officers of the Territories Branch of the Department of the Arts, Sport, the Environment, Tourism and Territories and by the Administrators and their officers of both Territories. The inquiry was also greatly facilitated by the frankness of all the people the Committee spoke to and their willingness to see the issues brought to a speedy and acceptable resolution.

1. Introduction

1.1. Background and Motivation

The first part of the paper discusses the background and motivation for the study. It highlights the importance of understanding the underlying mechanisms of the observed phenomena and the need for a comprehensive theoretical framework.

The second part of the paper focuses on the theoretical development. It introduces the key concepts and models used in the study, providing a clear and concise overview of the theoretical framework.

The third part of the paper describes the experimental setup and the data collection process. It details the methods used to gather the data and the conditions under which the experiments were conducted.

The fourth part of the paper presents the results of the experiments. It includes a detailed analysis of the data and a comparison of the experimental findings with the theoretical predictions.

The fifth part of the paper discusses the implications of the results and the potential applications of the findings. It also addresses the limitations of the study and suggests directions for future research.

The sixth part of the paper provides a conclusion and summarizes the main findings of the study. It emphasizes the significance of the results and the contribution of the work to the field.

The seventh part of the paper includes a list of references and a list of figures. The references provide a comprehensive overview of the literature related to the study, and the figures illustrate the key results and findings.

The eighth part of the paper is a list of appendices, which provide additional information and details related to the study. These appendices are essential for a complete understanding of the research and its findings.

The ninth part of the paper is a list of acknowledgments, where the author expresses gratitude to the individuals and organizations that supported the research. This section is a key part of the paper, as it recognizes the contributions of others.

The tenth part of the paper is a list of references, which provides a comprehensive overview of the literature related to the study. This section is essential for a complete understanding of the research and its findings.

The eleventh part of the paper is a list of figures, which illustrate the key results and findings of the study. These figures are essential for a complete understanding of the research and its findings.

The twelfth part of the paper is a list of appendices, which provide additional information and details related to the study. These appendices are essential for a complete understanding of the research and its findings.

The thirteenth part of the paper is a list of references, which provides a comprehensive overview of the literature related to the study. This section is essential for a complete understanding of the research and its findings.

APPENDIX 2

SUBMISSIONS

Individuals/Community

Ms Pauline Bunce, West Island, Cocos Islands

Mr John G Clunies-Ross, Home Island, Cocos Islands

Cocos (Keeling) Islands Council

Commercial Enterprises

Mr P Goh, Christmas Island Development Projects Nominees Pty Ltd

Christmas Island Expeditions

Mr F P Woodmore, Christmas Island Resort Pty Ltd

John G Plunkett & Associates, Cocos Islands Resorts

Mr J F Walker, Christmas & Cocos Island Tours Pty Ltd

Taris Australia

Government Departments and Agencies

Australian Heritage Commission

Australian National Parks and Wildlife Service

Department of the Arts, Sport, the Environment, Tourism and Territories

Department of Employment, Education and Training

APPENDIX 3

WITNESSES AT PUBLIC HEARINGS

Bunce, Ms P D	Private Citizen Claremont Western Australia
Carlson, Mrs M H	Acting Director Cocos (Keeling) Islands Section Department of the Arts, Sport, the Environment, Tourism and Territories
Dempster, Mr G R	First Assistant Secretary Corporate Management Information and Territories Division Department of the Arts, Sport, the Environment, Tourism and Territories
Edwards, Mr K R	Director Islands Liaison Office Department of the Arts, Sport, the Environment, Tourism and Territories
Fairbrother, Mr K R	Assistant Secretary Territories Branch Department of the Arts, Sport, the Environment, Tourism and Territories
Hill, Mr M A	Deputy Director Australian National Parks and Wildlife Service
Kay, Dr D G	Assistant Director Australian National Parks and Wildlife Service
Mawhinney, Mr V H	Director Christmas Island Section Department of the Arts, Sport, the Environment, Tourism and Territories

McCarthy, Mr J R	Assistant Secretary Training and Adjustment Assistance Branch Department of the Arts, Sport, the Environment, Tourism and Territories
Parker, Mr J R	Engineering Manager Cocos Islands Resorts
Plunkett, Mr J G	Team Leader Cocos Islands Resorts
Rowe, Mr A W	Assistant Director Christmas Island Section Department of the Arts, Sport, the Environment, Tourism and Territories
Sheridan, Ms G F	Principal Executive Officer Training and Adjustment Assistance Branch Department of Employment, Education and Training
Stokes, Mr T	Senior Project Officer External Territories Australian National Parks and Wildlife Service
Walker, Mr J F	Chairman Joint Venture Christmas and Cocos Island Tours Pty Ltd and the Cocos Cooperative
Woodmore, Mr F P	Managing Director Christmas Island Resort Pty Ltd