

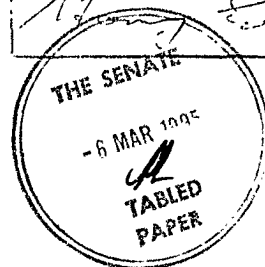
DEPARTMENT OF THE SENATE

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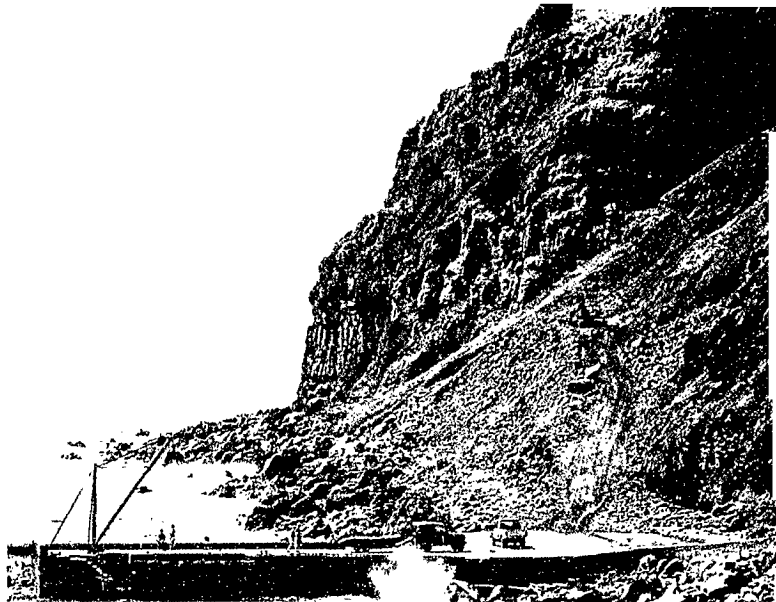
Report of the Joint Standing Committee
on the National Capital and External Territories

February 1995

Australian Government Publishing Service
Canberra



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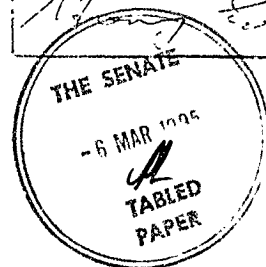
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PAPER No. 8955

DATE
PRESENTED

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The Parliament of the Commonwealth of Australia



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Report of the Joint Standing Committee
on the National Capital and External Territories

February 1995

Australian Government Publishing Service
Canberra

The cover photographs show freight handling operations at (top to bottom): Cascade jetty, Norfolk Island; Flying Fish Cove, Christmas Island; West Island, the Cocos (Keeling) Islands. These photographs are reproduced courtesy of Australian Construction Services and the Norfolk Island Chamber of Commerce Inc.

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The photographs and drawings at figures 4.4, 4.5, 4.6, 5.2 and 5.3 were provided in Submissions to the Inquiry or in audio-visual presentations to the Committee. The Committee thanks the people who provided this material:

Figure 4.4 Mr John Wardell, Becfab Equipment Pty Ltd.

Figure 4.5 Mr Barry Wilson, Hunter International Pty Ltd.

Figure 4.6 Mr Stuart Ballantyne, ASDMAR Pty Ltd.

Figures 5.2 and 5.3 Mr Bruce Walker, Norfolk Island Chamber of Commerce Inc.

Terms of Reference

Having regard to commercial considerations in servicing remote localities in Australia and to the self governing status of Norfolk Island, examine, inquire into and report on:

- (a) the effectiveness and cost of current arrangements for the freighting of food, general supplies, building materials and other community needs into the Territories of Christmas Island, the Cocos (Keeling) Islands and Norfolk Island including:
 - (i) future options for servicing these Territories;
 - (ii) the adequacy of existing freight discharge and handling infrastructure and systems into each of these Territories; and
- (b) the frequency and cost of current passenger travel into Norfolk Island and options for the future.

The Committee received this reference from the then Minister for the Environment, Sport and Territories, the Hon Ros Kelly MP, on 6 August 1993.

Membership of the Committee

37th Parliament

Chairman	Mr Robert Chynoweth, MP
Deputy Chairman	Senator Margaret Reid
Members	Senator Robert Bell (from 19 August 1993) Senator John Coates Senator Mal Colston Senator Noel Crichton-Browne (from 17 August 1993) Senator Ian Macdonald Mr Eoin Cameron, MP (from 29 June 1994) Mr Robert Halverson, OBE, MP (to 29 June 1994) Mr Harry Jenkins, MP Mr John Langmore, MP Hon Leo McLeay, MP Mr John Sharp, MP
Committee secretary	Mrs Joanne Towner (to 6 May 1994) Ms Meg Crooks (from 14 June 1994)
Inquiry secretary	Ms Susan Johnston
Administrative officer	Mrs Di Singleton (to 19 August 1994) Ms Robyn Barter (from 22 August 1994)

Preface

The Australian Territories of Christmas, Cocos and Norfolk Islands are different in many ways and they each have problems particular to that island. But they all have a common problem: freight.

This Inquiry created a great deal of interest on each island and started a process of discussion which I believe will lead to an improvement in the quality of life for all residents.

This Inquiry has put Committee members together for extended periods of time and there has been a very real sense of shared commitment to achieving fair solutions to the Territories' transport problems. I thank Committee members for their generous allocation of time and effort to the Inquiry.

Many thanks are due. I thank those residents of Christmas Island, the Cocos (Keeling) Islands and Norfolk Island whom we met on our travels for their friendly co-operation. Special thanks are due to Ms Maizah Bat and Mr Alistair Welsh who interpreted for the Committee in its discussions with the Cocos Malay community. I extend my personal thanks to Michael and Lilah Grimes, to John and Rosemary Read and to Alan and Judy Kerr for their warm hospitality. I thank officers of the Department of the Environment, Sport and Territories for their assistance with Inquiry arrangements. I applaud the efforts of the Parliamentary Reporting Staff in providing an accurate transcript of evidence in extremely difficult conditions and of course the Committee Secretariat for its work.

I commend this Report to the Parliament, not only for the urgent and important Recommendations it contains, but also because it may assist Members and Senators to understand the frustrating difficulties faced daily by residents in some of Australia's most isolated communities.

R L Chynoweth MP
Chairman

1 February 1995

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Abbreviations

ACS	Australian Construction Services
AGPS	Australian Government Publishing Service
ANCA	Australian Nature Conservation Agency
AQIS	Australian Quarantine and Inspection Service
\$AUD	Australian dollars
AUSLIG	Australian Surveying and Land Information Group
BAe 146	British Aerospace 146
B737	Boeing 737
B767	Boeing 767
CAA	Civil Aviation Authority
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DEST	Department of the Environment, Sport and Territories
DSS	Department of Social Security
EEZ	Exclusive Economic Zone
F28	Fokker 28
JISS	Joint Island Supply System
LACV	Lighter, Air Cushion Vehicle
RAAF	Royal Australian Airforce
RO/RO	roll-on/roll-off
RPT	Regular public transport
TEU	Twenty foot container equivalent unit
TFES	Tasmanian Freight Equalisation Scheme
UHT	Ultra Heat Treated

Chapter 1 Recommendations

Christmas Island

RECOMMENDATION 1

The Committee recommends that the Australian Bureau of Statistics conducts a survey on Christmas Island to allow an assessment of the cost of living of residents on Christmas Island as a remote Australian community. The survey should identify, analyse and report on:

- patterns of income and expenditure for households earning wage and/or salary income on Christmas Island, broken down to at least three income brackets;
- prices of items in a selected household basket of goods and services on Christmas Island;
- the cost of parcel post, fuel, electricity, housing and transport on Christmas Island;
- the extent to which the duty-free status of Christmas Island affects the cost of living of its residents;
- the extent to which Zone Allowances and Location/District Allowances contribute to household expenses on Christmas Island;
- the average weekly income for individuals and families entirely dependent on social security payments on Christmas Island;
- the value of subsidised housing and any other benefits extended to social security recipients on Christmas Island;
- patterns of household expenditure for social security recipients on Christmas Island; and
- the extent to which the Remote Area Allowance paid to social security recipients on Christmas Island contributes to household expenses.

(Paragraph 3.33)

RECOMMENDATION 2

The Committee recommends that expressions of interest be called immediately for the operation of a shipping service to the Indian Ocean Territories to commence no later than September 1996, and that interested parties be invited to address either or both of two scenarios:

- Scenario One being the continuation of the status quo where Christmas Island is part of the coasting trade of Australia, and
- Scenario Two based on Christmas Island being granted an exemption from the cabotage provisions in the *Navigation Act 1912*.

(Paragraph 3.109)

RECOMMENDATION 3

The Committee recommends that, following receipt of all expressions of interest submitted in response to Recommendation 2, the Government consider the advice of the Department responsible for the external Territories on whether or not to grant exemption to Christmas Island from the operation of the cabotage provisions in the *Navigation Act 1912*.

(Paragraph 3.110)

RECOMMENDATION 4

The Committee recommends that, following receipt of all expressions of interest submitted in response to Recommendation 2, the Department responsible for the external Territories assesses the proposals and, in consultation with residents of the Indian Ocean Territories and other shippers to the Territories, advises the Government on desirable tender specifications for a shipping service to the Indian Ocean Territories.

(Paragraph 3.111)

RECOMMENDATION 5

The Committee recommends that tenders be called for the operation of a shipping service to the Indian Ocean Territories to commence no later than September 1996, and further recommends that the Commonwealth contract with the successful tenderer for the carriage of Commonwealth freight to the Indian Ocean Territories.

(Paragraph 3.112)

RECOMMENDATION 6

The Committee recommends that the marine workers on Christmas Island and the Union of Christmas Island Workers be consulted in relation to the proposed upgrade of the main mooring system.

(Paragraph 3.129)

RECOMMENDATION 7

The Committee recommends that the fuel storage tanks at Flying Fish Cove, Christmas Island, be removed. The Committee further recommends that the Smith Point fuel facility be established as soon as possible.

(Paragraph 3.156)

RECOMMENDATION 8

The Committee recommends that the stockpile of empty 200 litre drums be removed from Christmas Island.

(Paragraph 3.159)

RECOMMENDATION 9

The Committee recommends that aviation fuel be required to be delivered to Christmas Island in tank containers which are returned to the supplier for re-use.

(Paragraph 3.161)

RECOMMENDATION 10

The Committee recommends that tenders be called for the operation of stevedoring and freight handling on Christmas Island from the beginning of 1997, with port facilities to be leased by the Commonwealth to the successful tenderer.

(Paragraph 3.175)

RECOMMENDATION 11

The Committee recommends that consideration of Ethel Beach as a secondary freight landing site on Christmas Island not proceed.

(Paragraph 3.192)

The Cocos (Keeling) Islands

RECOMMENDATION 2

The Committee recommends that expressions of interest be called immediately for the operation of a shipping service to the Indian Ocean Territories to commence no later than September 1996, and that interested parties be invited to address either or both of two scenarios:

- *Scenario One being the continuation of the status quo where Christmas Island is part of the coasting trade of Australia, and*
- *Scenario Two based on Christmas Island being granted an exemption from the cabotage provisions in the Navigation Act 1912.*

(Paragraph 3.109)

RECOMMENDATION 4

The Committee recommends that, following receipt of all expressions of interest submitted in response to Recommendation 2, the Department responsible for the external Territories assesses the proposals and, in consultation with residents of the Indian Ocean Territories and other shippers to the Territories, advises the Government on desirable tender specifications for a shipping service to the Indian Ocean Territories.

(Paragraph 3.111)

RECOMMENDATION 5

The Committee recommends that tenders be called for the operation of a shipping service to the Indian Ocean Territories to commence no later than September 1996, and further recommends that the Commonwealth contract with the successful tenderer for the carriage of Commonwealth freight to the Indian Ocean Territories.

(Paragraph 3.112)

RECOMMENDATION 12

The Committee recommends that the Cocos Islands Co-operative Society Ltd be reconstituted under Australian law, as an immediate priority in the Territories law reform process.

(Paragraph 4.31)

RECOMMENDATION 13

The Committee recommends that the Commonwealth commission an inquiry into the legal status, ownership and economic power of the Cocos Islands Co-operative Society Ltd and its links with the Cocos (Keeling) Islands Shire Council.

(Paragraph 4.32)

RECOMMENDATION 14

The Committee recommends that the Australian Bureau of Statistics conducts a survey on the Cocos (Keeling) Islands to allow an assessment of the cost of living of residents on the Cocos (Keeling) Islands as a remote Australian community. The survey should identify, analyse and report on:

- patterns of income and expenditure for households earning wage and/or salary income on the Cocos (Keeling) Islands, broken down to at least three income brackets;
- prices of items in a selected household basket of goods and services on the Cocos (Keeling) Islands;
- the cost of parcel post, fuel, electricity, housing and transport on the Cocos (Keeling) Islands;
- the extent to which the duty-free status of the Cocos (Keeling) Islands affects the cost of living of its residents;
- the extent to which Zone Allowances and Location/District Allowances contribute to household expenses on the Cocos (Keeling) Islands;
- the average weekly income for individuals and families entirely dependent on social security payments on the Cocos (Keeling) Islands;
- the value of subsidised housing and any other benefits extended to social security recipients on the Cocos (Keeling) Islands;
- patterns of household expenditure for social security recipients on the Cocos (Keeling) Islands; and
- the extent to which the Remote Area Allowance paid to social security recipients on the Cocos (Keeling) Islands contributes to household expenses.

(Paragraph 4.52)

RECOMMENDATION 15

The Committee recommends that the Department responsible for Territories, in collaboration with scientists at the Australian National University and the CSIRO, establish a pilot project for coconut oil extraction on the Cocos (Keeling) Islands, to investigate the economics of using coconut oil as the principal fuel source on the Cocos (Keeling) Islands.

(Paragraph 4.75)

RECOMMENDATION 16

The Committee recommends that the proposed construction of a ramp at Rumah Baru not proceed.

(Paragraph 4.108)

RECOMMENDATION 17

The Committee recommends that immediate provision be made on Home Island for quarantine inspection and treatment of freight containers. The minimum additional requirement would be a secure area with a hardstand for fumigation. Further, the Committee recommends that quarantine requirements be incorporated into any new freight handling infrastructure on West Island.

(Paragraph 4.117)

RECOMMENDATION 18

The Committee recommends that facilities be provided in the airport terminal building on the Cocos (Keeling) Islands for quarantine inspections, treatments and secure storage.

(Paragraph 4.118)

RECOMMENDATION 19

The Committee recommends that the Commonwealth call tenders for the purchase of an amphibious landing vessel to assist the landing of containers on the Cocos (Keeling) Islands, subject to a favourable environmental impact assessment. Further, the Committee recommends that the amphibious landing vessel be the prescribed method of unloading freight on West Island.

(Paragraph 4.171)

RECOMMENDATION 20

The Committee rejects proposals for an inter-island ring road for the Cocos (Keeling) Islands and recommends that no further money be invested in studies on an inter-island road or causeways between the Islands.

(Paragraph 4.173)

Norfolk Island

RECOMMENDATION 21

The Committee recommends that the Australian Bureau of Statistics conducts a survey on Norfolk Island to provide information to the Commonwealth and Norfolk Island Governments on the cost of living of residents on Norfolk Island as a remote Australian community. The survey should identify, analyse and report on:

- patterns of income and expenditure for households earning wage and/or salary income on Norfolk Island, broken down to at least three income brackets;
 - prices of items in a selected household basket of goods and services on Norfolk Island;
 - the cost of parcel post, fuel, electricity, housing and transport on Norfolk Island;
 - the extent to which the sales tax-free status of Norfolk Island affects the cost of living of its residents;
 - the average weekly income for individuals and families entirely dependent on social security payments on Norfolk Island;
 - the value of subsidised housing and any other benefits extended to social security recipients on Norfolk Island; and
 - patterns of household expenditure for social security recipients on Norfolk Island.
- (Paragraph 5.96)

RECOMMENDATION 22

The Committee recommends that the Minister for Finance decline to make any loans for transport infrastructure or shipping to the Norfolk Island Government under section 49 of the *Norfolk Island Act 1979*, pending the outcome of an examination of the financial relationship between the Commonwealth and Norfolk Island. The Committee further recommends that the Treasurer withhold approval for borrowings for transport infrastructure or shipping by the Norfolk Island Government under section 50 of the *Norfolk Island Act 1979*, pending an examination of the Norfolk Island Government's capacity to service debts. The Committee recommends that no capital grants for transport infrastructure or shipping be made by the Commonwealth to the Norfolk Island Government pending the outcome of a review of the financial relationship between the Commonwealth and Norfolk Island.

(Paragraph 5.97)

RECOMMENDATION 23

The Committee recommends that Kingston be excluded from consideration as a potential site for any new harbour or freight handling infrastructure on Norfolk Island.

(Paragraph 5.145)

RECOMMENDATION 24

The Committee recommends that the Commonwealth make available a grant equivalent to the Ships Capital Grant for the purchase of an Australian built vessel, smaller than would otherwise qualify for the Ships Capital Grant, on condition that any proposed vessel would be used principally on the Norfolk Island trade for at least the first two years following commissioning.

(Paragraph 5.244)

RECOMMENDATION 25

The Committee recommends that the Commonwealth, in consultation with the Norfolk Island Government, investigate whether or not the interests of Norfolk Island residents would be better served by including Norfolk Island in the operation of the *Australian Postal Corporation Act 1989*. The Committee further recommends that Australia Post consider holding parcel post rates to Norfolk Island at the present levels pending this investigation and subsequent decision.

(Paragraph 5.311)

Export Clearance Numbers

RECOMMENDATION 26

The Committee recommends that the requirement for Export Clearance Numbers for supplies sent from mainland Australia to the external Territories be abolished, without any change to their Australian duty-free status.

(Paragraph 6.14)

Chapter 2 Background

Introduction

2.1 The Joint Standing Committee on the National Capital and External Territories was established on 27 May 1993. It is the first Committee established by Parliament to have a continuing oversight of Australia's external Territories and this is the Committee's first report on the external Territories. A map showing the location of the external Territories (excluding Antarctica) in relation to the Australian mainland is at figure 2.1. Under Paragraph 1(e) of its Resolution of Appointment, the Committee can be asked to inquire into and report on 'such matters relating to Australia's external territories as may be referred to it' by either House of the Parliament or the Minister responsible for the external Territories.

2.2 On 6 August 1993, the Committee received a reference to inquire into and report on the cost and effectiveness of transport to Christmas Island, the Cocos (Keeling) Islands and Norfolk Island from the then Minister for the Environment, Sport and Territories, the Hon Ros Kelly. The Terms of Reference are included at the beginning of this Report.

2.3 The role of the Committee is to take detailed evidence and to make recommendations to the Government. The Committee has an inquiry and advisory role. It cannot deliver, directly, solutions to the transport problems drawn to its attention. Once the Committee has tabled its Report in the Parliament, the Government has three months to respond in the Parliament to the recommendations made.

2.4 The Committee recognises the importance and urgency of its first reference in relation to the external Territories. Each of the Territories is dependent on freight for most of the products which are needed for daily living, including fresh and processed food, clothing, household goods, motor vehicles, educational materials, fuel and nearly all materials required for building and construction.

2.5 Keen to canvass all viewpoints, the Committee invited submissions from over fifty individuals and organisations likely to have an interest in the Inquiry. Those parties directly approached included the Shire Councils of Christmas and the Cocos (Keeling) Islands, the Legislative Assembly of Norfolk Island, the Administrators of each of the Territories, community and consumer groups, providers of passenger and freight services to the Islands, shippers on the Islands and representatives of the tourist industry on the Islands.

2.6 In addition, an open invitation to other interested persons to submit comments on the matters set out in the Terms of Reference was published in the local press on Christmas Island, the Cocos (Keeling) Islands and Norfolk Island, as well as in a number of mainland Australian newspapers. Advertisements were also placed in *Daily Commercial News* and *Air Cargo, Asia Pacific*.

2.7 The Committee's conclusions and recommendations are based on a very large body of evidence presented to the Inquiry in writing and at public hearings.

2.8 Ninety-eight written submissions, totalling 1090 pages were received by the Committee and are listed in Appendix A to this Report.

2.9 Eighty-four exhibits, including videotape, photographs, maps, diagrams, documents were presented to the Committee and are listed in Appendix B to this Report.

2.10 Ninety-six witnesses gave evidence at public hearings as listed in Appendix C to this Report, generating 1052 pages of Hansard transcript.

2.11 The Committee would like to thank all those who participated in the Inquiry. The Committee recognises that the above statistics represent a significant commitment of time on the part of those who gave evidence to the Inquiry.

Terms of Reference

2.12 The Committee's Terms of Reference were broad enough to allow a consideration of most of the transport problems confronting the external Territories. The Committee was asked to look at the effectiveness and cost of freight, including the adequacy of freight handling infrastructure since freight handling costs are a significant component of the final cost of products transported to the Islands. The Committee was asked to make recommendations on future options for improving freight services. In the case of Norfolk Island, the Committee was also asked to look at passenger transport.



Figure 2.1 The external Territories
Source AUSLIG

2.13 The Terms of Reference require the Committee to have regard to 'commercial considerations in servicing remote localities'. The freight problems faced by small and remote settlements are a function of isolation, small population, small freight volumes, limited return freight and further difficulties posed by the physical environment. The Committee looked for solutions which are affordable and achievable.

2.14 The Committee recognises that the ocean between the external Territories and the mainland, not just the distances involved, contributes to the sense of isolation. This factor makes comparisons between mainland communities and the external Territories difficult. The Committee considers it inappropriate to expect transport services provided to the external Territories to compare with services provided between capital cities on the mainland. However, the Committee is wary of simple comparisons between the external Territories and remote mainland communities accessible by road.

2.15 In evaluating existing services and searching for ways to improve existing services, it is easy to be critical and to take for granted the frequency and quality of the freight services already provided. At the outset, the Committee acknowledges that a number of witnesses praised Ansett Australia¹, Air New Zealand Limited², Stateships³, Sofrana Unilines and W Islands Line⁴ for the services provided to the Territories. The Committee also recognises the considerable skill of marine and lighterage workers in the Territories.

2.16 However, the Committee has taken the approach that this Report should point to strategies which can be implemented in the immediate future to improve transport services to the external Territories and to ensure that future transport services will promote the long term development of the external Territories.

Visits to the Territories

2.17 In the course of this Inquiry, the Committee visited Christmas Island once and the Cocos (Keeling) Islands and Norfolk Island twice. The Committee visited both Indian Ocean Territories from 31 October to 5 November 1993 and Norfolk Island from 27 to 29 January 1994. The program of inspections and meetings for these trips is shown in Appendix D to this Report.

¹ Ansett Australia, a division of Ansett Transport Industries (Operations) Ltd, provides passenger and freight air services to Christmas Island, the Cocos (Keeling) Islands and Norfolk Island.

² Air New Zealand Limited provides passenger and freight air services between New Zealand and Norfolk Island.

³ Stateships is the trading name of the Western Australia Coastal Shipping Commission, which provides a liner shipping service to Christmas Island and the Cocos (Keeling) Islands en route to South East Asia.

⁴ Sofrana Unilines and W Islands Line each operate a shipping service to Norfolk Island.

2.18 The Committee returned to the Cocos (Keeling) Islands from 27 April to 30 April 1994 to conduct three days of public hearings. Witnesses from Christmas Island were invited to attend the hearings on the Cocos (Keeling) Islands at the Committee's expense. Fortunately, the public hearings on the Cocos (Keeling) Islands were convened in the Cyclone Shelter on West Island, which afforded protection from the lashing winds and torrential rain accompanying tropical cyclone *Willy*. The Committee extends special thanks to all those who participated in the public hearings on the Cocos (Keeling) Islands and who were most cooperative and courteous under difficult circumstances.

2.19 The Committee returned to Norfolk Island to conduct public hearings on 20 May 1994.

2.20 The Committee travelled on commercial flights to Norfolk Island on both its visits in keeping with its brief to inquire into passenger transport to that Territory. The Committee also travelled on the scheduled flight from Perth to the Cocos (Keeling) Islands via Christmas Island. The Committee inspected airport facilities in all the Territories.

2.21 These visits to the Territories achieved a number of key results beyond the gathering of evidence. First and most importantly, the Committee was able to establish consultative relationships with representatives of the community in each Territory, including the Christmas Island Shire Council, the Cocos (Keeling) Islands Shire Council and the Norfolk Island Legislative Assembly, as well as a range of business and community groups. The working relationships established in this first Inquiry into the Territories will be valuable for the future work of the Committee.

2.22 Second, taking the Committee to the Territories allowed more residents of the Territories to meet the Committee and to watch public hearings in progress than would otherwise have been the case. On its first visit to Norfolk Island, the Committee held an open forum for interested members of the public to put their views before the Committee in an informal setting and the Committee's open invitation attracted over thirty people. Apart from collecting information useful to the Inquiry, the discussions allowed the Committee to understand the attitudes, concerns and priorities of the people whose lives this Inquiry will most affect.

2.23 Third, the Committee was able to see at first hand the state of freight and passenger infrastructure on the Islands. The Committee observed phosphate being loaded onto a bulk tanker in Flying Fish Cove, Christmas Island in November 1993. This operation involved the use of a cantilever to load phosphate rock and also the use of an old barge system to ferry loads of bagged phosphate. The Committee was not able to observe stevedoring operations on the Cocos (Keeling) Islands. In April 1994, a planned launch trip out to the Stateships vessel, anchored in the Cocos (Keeling) Islands lagoon, was aborted when the launch was unable to pick up members of the Committee from West Island jetty because of high waves generated by cyclone *Willy*. The Committee observed lighterage operations at Cascade harbour, Norfolk Island, in May 1994 and some members of the Committee boarded a launch towing lighters to and from the supply vessel *Capitaine Wallis*.

2.24 Fourth, the Committee was able to inspect potential new harbour sites so that members were better able to visualise some of the proposals for freight handling put forward in evidence.

Structure of the Report

2.25 At first glance, the problems faced by the residents of Christmas Island, the Cocos (Keeling) Islands and Norfolk Island are the same. The Territories are relatively small, isolated communities, dependent on sea and air transport. Each Territory has fairly basic freight handling infrastructure. The Territories face extremely high freight bills to obtain supplies from the mainland. Each Territory has real concern about its ability to attract a regular shipping service in the future. Each Territory sees its economic future tied to tourism and would like to see increased aircraft capacity on flights to and from the mainland.

2.26 However, each Territory is quite distinct, particularly in terms of its infrastructure needs. Accordingly, there is a separate chapter for each of Christmas Island (Chapter 3), the Cocos (Keeling) Islands (Chapter 4) and Norfolk Island (Chapter 5).

2.27 The cost and inconvenience of obtaining Export Clearance Numbers for all supplies sent from the Australian mainland to the Territories was considered to be a problem common to all the Territories. This issue is examined in Chapter 6.

2.28 In this Report, residents of the Territories have been allowed to define the transport problems to be considered. The Committee analyses the problems and the options for change using the evidence available, then formulates recommendations.

Role of the Committee

2.29 The Committee was determined that its Inquiry should not become merely a consultative exercise, confined to canvassing the views of all parties and pointing the way to further studies which might be done at some indeterminate time in the future. This Inquiry was initiated to find solutions to issues which have been too long pending.

2.30 The Committee's inspections of freight handling infrastructure on each of the Territories led to the conclusion that action needs to be taken as a matter of urgency. The inefficiency and high cost of freight handling resulting from the use of existing infrastructure are by no means the only, nor even the most pressing, problems. The Committee is concerned that freight handling procedures on the Islands are dangerous, that quarantine inspection facilities are inadequate and that freight handling procedures could, in some cases, be degrading the environment.

2.31 An even more urgent issue is the possibility of the cessation or the winding down of shipping services to the Territories.

2.32 With the aim of making definite recommendations which could lead to rapid results, the Committee sought out technical information to assist its deliberations. However, having now examined all the information obtained, the Committee recognises that the information base is deficient. The preparatory hydrographic work, engineering studies and environmental assessments which would need to be undertaken to indicate whether or not certain freight handling options are worth pursuing have just not been done. A large number of suggestions put to the Committee for new infrastructure on various Territories were conceptual ideas rather than well developed proposals.

2.33 Statistical collections which might underpin recommendations on policy options for improving the standard of living in the Territories have not been done.

2.34 The Committee recognises that no collection of cost of living data will ever tell the full story about how households are faring in a community. In the external Territories, this will be the case particularly because significant factors contributing to the quality of life, such as a clean and healthy environment, cannot easily be quantified. However, with all these shortcomings, statistics still provide a sounder basis for policy decisions than mere impressions.

2.35 The Committee was presented with conflicting evidence on virtually every issue under examination and, in most cases, the definitive data or technical information which might have helped decide the issue were simply unavailable. It is for this reason that the Committee's recommendations on future options for the Territories include a number of recommendations that statistical surveys and other studies be conducted.

Future consultation

2.36 An incidental but important result of this Inquiry has been the improved communication which has resulted. The Committee has been able to bring together various parties who need to work together to achieve results in the Territories – Commonwealth authorities, Territory government bodies, unions, business representatives, community groups, shipping and air lines.

2.37 The views of all parties were set out in evidence given to the Inquiry in written submissions and at public hearings. The Committee was struck by the high degree of common interest amongst the parties and would urge all parties to maintain the consultative channels which have been opened.

Exclusive Economic Zone

2.38 The 1982 United Nations Convention on the Law of the Sea came into force on 16 November 1994. Australia took up sovereign rights over the third largest oceanic area to be allocated to any nation in the world, around one and a half times as large as the continent.

2.39 Australia has undertaken the responsibility of managing the ocean area surrounding the mainland and external Territories with an outer limit of 200 nautical miles from the territorial sea baseline. The area, known as the Exclusive Economic Zone (EEZ), includes the islands and surrounds of Christmas Island, the Cocos (Keeling) Islands, Lord Howe Island, Norfolk Island, Macquarie Island, Heard/McDonald Island, and the relevant area off Australian Antarctica.

2.40 Australia, in accepting rights and responsibilities for its EEZ, may explore, exploit, conserve and manage the living and non-living natural resources in the Zone. Australia has jurisdiction over off-shore installations, marine scientific research, and is responsible for the protection and preservation of the marine environment.

2.41 The Committee observes that Australia's rights and responsibilities in relation to the vast areas of ocean surrounding its far-flung island Territories imply a requirement for efficient transport links between the mainland and the Territories and, moreover, strengthen the case for providing infrastructure in the Territories to promote the management and surveillance of the EEZ.

Chapter 3 Christmas Island

Background

Introduction

3.1 Christmas Island is 2623 kilometres from Perth, but only 360 kilometres south of Java Head [Indonesia] and 1408 kilometres from Singapore.

3.2 Christmas Island is the summit of an extinct submarine volcano. It rises steeply to a central plateau dominated by towering stands of rainforest. Christmas Island has an area of 135 square kilometres. The 80 kilometres of coastline comprise an almost continuous sea cliff up to 20 metres high. In a few places, breaks in the cliff give way to shallow bays with small sand and coral shingle beaches. There is virtually no coastal shelf and the sea plunges to a depth of 500 metres within 200 metres of the shore.

3.3 Christmas Island's isolation has resulted in a unique set of ecological relationships characterised by the evolution of new wildlife species and profound changes in the biology of immigrant species. Most prominent on Christmas Island are land crabs and sea birds. Several rare and endangered species of wildlife live on the Island, the best known being the Abbott's Booby, an endemic sea bird which nests in the taller trees of the rainforest canopy. To protect Christmas Island's flora and fauna, approximately 63% of the Island has been declared a National Park.¹

3.4 The developed areas of Christmas Island, including the residential subdivisions, the commercial area, the casino, the port facilities and the airport, are to the north-east of Christmas Island. A map of Christmas Island appears at figure 3.1. The locations of the airstrip, port facilities at Flying Fish Cove and fuel handling site at Smith Point are shown on the map.

3.5 Christmas Island was annexed and settled by the British in 1888. Following the discovery of phosphate deposits, a British mining operation was commenced in 1897. Labour for the mine was brought in mainly from what is now Malaysia. The Australian and New Zealand Governments bought the mining operation in 1947 and continued mining of phosphate until December 1987, when high grade ore ran out.

¹ Exhibit No. 3.

3.6 Phosphate Resources NL (trading as Christmas Island Phosphate Pty Ltd), a company owned by Christmas Islanders, was set up on the closure of high grade mining operations to recover low grade phosphate on the Island. Phosphate Resources NL holds a mining lease to the year 2000 and has applied for an extension of the mining lease for a further ten years.² The Australian Nature Conservation Agency (ANCA), with financial support and cooperation from Phosphate Resources NL, has successfully implemented a program of reforestation of old phosphate mining sites.

3.7 The most promising future industry identified for Christmas Island is tourism.³ Christmas Island Resort Pty Ltd, majority owned by Indonesian business interests, has already invested \$73 million in the tourism industry on Christmas Island and has plans for further investment on the Island, including a new golf course and residential development.⁴ Christmas Island Resort Pty Ltd opened its multi-million dollar casino and resort at the end of 1993. The Commonwealth receives royalties equivalent to 8% of casino gross operating profit and a further 1% is returned to the Christmas Island Shire Council as the Community Development Levy. The Commonwealth received \$6 453 328 for casino operations from November 1993 to the end of June 1994 and a further \$806 666 was paid to the Christmas Island Shire Council for the benefit of the local community.⁵

Commonwealth responsibilities

3.8 Australia accepted Christmas Island as a Territory under the *Christmas Island Act 1958*, prior to which the Island had been governed as a dependency of the Colony of Singapore. The Australian Governor-General was given the power to make laws for the Territory and an Administrator was appointed with responsibility for the peace, order and good government of the Territory. The Administrator reports to the Commonwealth Minister responsible for Territories.

² *Transcripts* p. 411.

³ At least two Commonwealth reports have reached this conclusion, namely

- Department of Home Affairs and Environment, *Inquiry into the Long-term future of Christmas Island* (AGPS, 1981); and more recently,
- House of Representatives Standing Committee on Environment, Recreation and the Arts *Tourism in the Indian Ocean Territories* (AGPS, 1990).

⁴ *Transcripts* p. 562.

⁵ Exhibit No. 66.

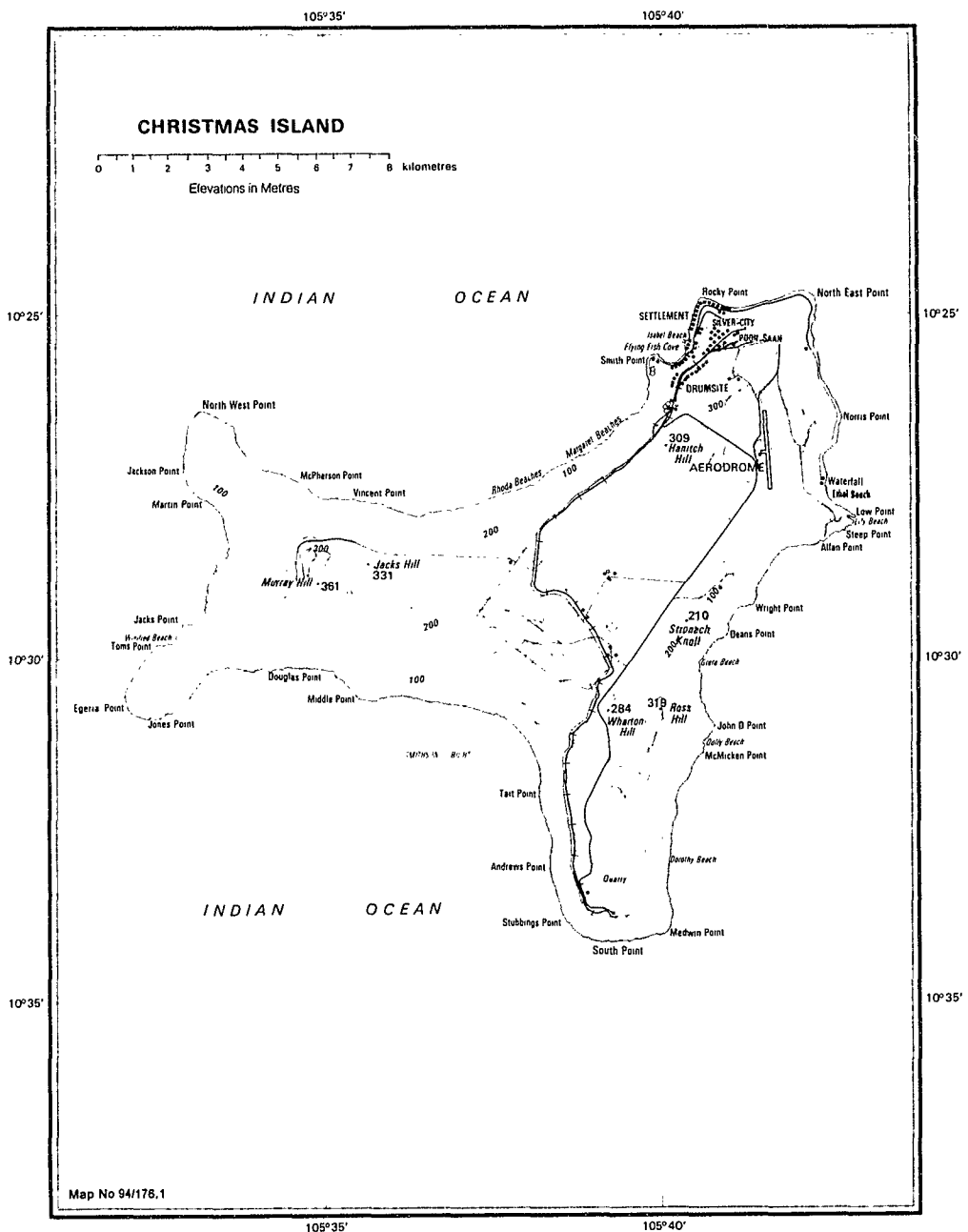


Figure 3.1 Christmas Island
Source AUSLIG

3.9 Pursuant to the recommendations in a 1991 Parliamentary report⁶ and in line with the *Package of Changes*⁷ negotiated with Christmas Islanders in 1991, the *Territories Law Reform Act 1992* was enacted to provide for the extension of West Australian laws to Christmas Island. At the time of writing, approximately 95%⁸ of West Australian laws had been applied to Christmas Island, replacing Singaporean law and Christmas Island Ordinances. State government functions such as education and health are now provided by the West Australian authorities under agency arrangements with the Commonwealth. Port operations at Christmas Island are subject to West Australian maritime regulations for mainland ports.

3.10 The present role of the Administrator of Christmas Island is under review following the adoption of the West Australian legal regime.

3.11 The Christmas Island Shire Council was constituted under the *Local Government Act 1960 (WA)(CI)* on 1 July 1992 and is responsible for local government functions.

3.12 Christmas Island residents are enrolled to vote in the Federal electorate of Northern Territory.

3.13 The *Christmas Island Strategic Plan 1991–96*⁹ sets out the Commonwealth Government's objectives for Christmas Island, including the alignment of conditions and standards on Christmas Island with those of comparable communities in the rest of Australia. The Commonwealth has committed \$79 million over six years for Stage One of the Christmas Island Rebuilding Program (the Rebuilding Program) which will provide a new hospital, extensions to the school, upgraded public housing and upgraded sewerage and water supply systems. In 1992, the Parliamentary Standing Committee on Public Works requested that the priorities for the Rebuilding Program be re-examined to include the upgrading of wharf facilities and the purchase of a new crane for the wharf in the early stages of the Rebuilding Program.¹⁰ This work is now underway. The

⁶ House of Representatives Standing Committee on Legal and Constitutional Affairs, *Islands in the Sun - The Legal Regimes of Australia's External Territories and the Jervis Bay Territory* (AGPS, 1991).

⁷ Exhibit No. 19.

⁸ The legislation that has not yet been extended to Christmas Island includes laws relating to taxation, water resources, agriculture, vocational training, residential and commercial tenancies, corporations, building societies, and small businesses. These laws have been suspended in the Indian Ocean Territories to allow detailed assessment of the impact and implications the introduction of these laws will have on the Territories. Certain legislation relating to gaming has been suspended pending finalisation of appropriate modifications to legislation. Exhibit No. 72.

⁹ Department of the Arts, Sport, the Environment, Tourism and Territories *Christmas Island Strategic Plan* (1991). Exhibit No. 3.

¹⁰ Parliamentary Standing Committee on Public Works, *Report relating to the Christmas Island Rebuilding Program* (AGPS, Fifth Report of 1992) pp. 14–16.

upgrading of freight handling facilities already in progress will be outlined later in this chapter.

Freight issues

3.14 The Terms of Reference for this Inquiry direct the Committee's attention to the following issues:

- the effectiveness and cost of **sea** freight to Christmas Island;
- the adequacy of sea freight discharge and handling infrastructure and systems on Christmas Island;
- the effectiveness and cost of **air** freight to Christmas Island;
- the adequacy of air freight discharge and handling infrastructure on Christmas Island; and
- future options for freight services for Christmas Island.

This chapter considers sea freight and air freight issues in turn.

3.15 Individuals and organisations on Christmas Island, when giving evidence at public hearings or in submissions, were quite clear about what they wanted out of this Inquiry.

- Christmas Islanders wanted **more community consultation** on decisions made about the development of Christmas Island, including decisions on appropriate new infrastructure.
- Christmas Islanders wanted **reduced freight rates** or wanted to be **compensated** for the high cost of freight by some form of freight subsidy.
- The majority of Christmas Islanders giving evidence to the Committee asked for **cabotage to be lifted** so that Christmas Island could be served by foreign flag vessels plying the South East Asian trade route from Australia.
- Christmas Islanders were concerned about high demurrage charges and other freight premiums incurred because of delays in unloading freight from the ship and wanted **improved port infrastructure** to ameliorate this problem.
- Christmas Islanders wanted **air freight to arrive on time every time**. There was concern about the offloading of air freight because of **insufficient freight capacity** on regular flights.

3.16 The Committee considers these issues.

Significance of freight costs

3.17 A graphic demonstration of the dependence of Christmas Island on freight was given by Christmas Island Resort Pty Ltd when the Committee inspected the new casino/resort complex in November 1993. The Committee was informed that virtually everything required for the construction of the resort had been shipped to Christmas Island – all the building materials and furnishings, even flowers and shrubs for the gardens. Project freight costs amounted to \$4.3 million relative to total building costs of \$28 million.¹¹ The Committee understands that the resort will continue to be dependent on deliveries of fresh food, largely by air freight, to supply its clientele.

3.18 Nearly all the supplies required on Christmas Island must be brought from the Australian mainland or South East Asia. Power generation on Christmas Island is dependent on imported fuel. The Rebuilding Program to upgrade infrastructure is almost entirely dependent on construction materials shipped from the Australian mainland or South-East Asia. Supplies that most schools and hospitals on the mainland can order and obtain easily at short notice must come on the ship, or in an emergency, on the flights to Christmas Island. Products in the local supermarket and in other shops on Christmas Island are priced to include a significant freight component.

3.19 Freight charges for goods sent to Christmas Island can account for more than half the final price of many products. Some examples of the invoice prices of products and their freight components are shown in table 3.1, which is based on data provided by Christmas Island residents.

Table 3.1 **Significance of freight costs**

<i>Item</i>	<i>Invoice price</i>	<i>Freight charge from Fremantle</i>	<i>Delivered price (invoice + freight)</i>
		<i>(\$)</i>	
Cement	4.50	12.00	16.50
Chicken feed	5.75	6.42	12.17
Soft drink	8.00	7.28	15.28
Toilet paper	24.95	19.00	43.95
Potato chips	39.33	17.94	57.27
Biscuits	16.63	8.63	24.96
Rice	16.25	7.60	23.85
Bakery flour	13.71	6.93	20.64
Breakfast cereal	50.81	22.83	73.64

Sources Submissions p. 25 & Transcripts p. 661.

¹¹ *Transcripts* p. 555.

3.20 Christmas Island businesses must tie up capital in holding higher levels of stock than would be carried on the mainland allowing for the risk that ships can be delayed, particularly in the swell season.

3.21 In brief, the cost of freight has a big impact on the economic development of Christmas Island, as well as being an important determinant of the cost of living of its residents.

3.22 The volume of regular supplies brought to Christmas Island can be expected to increase in line with increases in the number of residents to be fed and clothed, not to mention the thousands of tourists expected to visit the casino. The *Christmas Island Economic Development Plan* envisaged that the population of Christmas Island could grow to 5000 by the year 2000 and to 16 500 by 2015, from a base of 1275 in the 1991 official census.¹²

3.23 In the 1992–93 financial year, 607 containers were delivered to Christmas Island. Of these, 369 carried building materials for the resort.¹³ In the 1993–94 financial year, 821 containers were delivered to Christmas Island, many containing materials for the Rebuilding Program. It was projected that 788 containers would be delivered to Christmas Island in 1994–95.¹⁴

3.24 The volume of freight coming to Christmas Island was predicted to increase to 800 containers per year for the duration of the Rebuilding Program in evidence to the Parliamentary Standing Committee on Public Works in 1992.¹⁵

Fuel costs

3.25 Bulk fuel for the power station, the mine and motor vehicles on Christmas Island is bought on the spot market out of Singapore and transported to Christmas Island on junks.¹⁶ Fuel is landed on Christmas Island for just over 30 cents per litre.¹⁷ There were no complaints about the cost of shipping bulk fuel to Christmas Island. Complaints about the price of fuel on Christmas Island related to additional charges imposed after delivery but prior to sale.¹⁸ Accordingly, the Committee does not make any recommendations directly related to the transport of bulk fuel. However, the infrastructure for handling fuel landed on Christmas Island is treated later in this chapter.

¹² Exhibit No. 61.

¹³ Exhibit No. 59.

¹⁴ *Submissions* pp. 1039–40.

¹⁵ Parliamentary Standing Committee on Public Works, *op. cit.*, p. 15.

¹⁶ *Transcripts* p. 628.

¹⁷ *Transcripts* p. 606.

¹⁸ *Transcripts* p. 607.

Subsidies

3.26 Some parties proposed that the Commonwealth should provide some form of freight subsidy or allowance to compensate residents for the impact of high freight costs on the cost of living on Christmas Island.

3.27 Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, on the other hand, considered that freight subsidies could be counter-productive, propping up inefficiencies in the freight system.¹⁹

3.28 The Department of the Environment, Sport and Territories (DEST)²⁰ opposed the introduction of freight subsidies on a number of grounds, including that:

- subsidies could reduce the incentive for carriers to implement cost effective systems;
- freight subsidies could benefit those with the greatest disposable income and it would be preferable to introduce more targeted measures to help those most in need;²¹ and
- the prices of items in a grocery 'basket of goods' was not a fair indication of the standard of living when other household expenses – housing, transport, duty-free goods – were not comparable to mainland costs.

¹⁹ *Submissions* p. 2.

²⁰ *Submissions* pp. 328–29 & 331–32.

²¹ Ms Cheryl Wright, representing the Christmas Island Shire Council, did not accept this argument. Ms Wright suggested that if, for example, a developer could build houses at a lower cost because the cost of shipping building materials was subsidised, then this would result in lower house prices to the benefit of the community generally. *Transcripts* p. 532.

3.29 DEST submitted²² that the cost of living on Christmas Island was significantly reduced or offset by such benefits as:

- its duty-free and sales tax-free status;
- subsidised fuel, electricity and housing;
- Zone Allowances under the taxation system;
- District Allowances paid as part of salary packages;
- Remote Area Allowance for Social Security recipients;
- rental discounts for low income earners; and
- regular air fare entitlements for Commonwealth and State Government employees posted to Christmas Island.

3.30 DEST's assertion that these benefits significantly offset the impact of high freight rates was angrily denied by Christmas Islanders, particularly by the Union of Christmas Island Workers²³ and the Christmas Island Shire Council.²⁴ Ms Cheryl Wright, representing the Christmas Island Shire Council, rebutted DEST's suggestion that Christmas Island receives subsidised fuel, electricity and housing.²⁵ The Committee observes that there are different perceptions of what constitutes a subsidy:

- on the one hand, any pricing that is less than total cost recovery;
- on the other hand, any pricing that is less than WA mainland equivalent pricing.

²² *Submissions* pp. 328–29.

²³ *Submissions* pp. 767–68.

²⁴ *Transcripts* pp. 530–31.

²⁵ *Transcripts* p. 530.

3.31 The Committee sought further information on two specific proposals which had been made for freight subsidies or allowances for Christmas Island.

- It was proposed²⁶ that the Tasmanian Freight Equalisation Scheme (TFES) provided a precedent for the extension of freight subsidies to an Australian island community. The Department of Transport provided a briefing on the TFES.²⁷ In brief, the TFES is designed to assist Tasmanian industry – not to offset the cost of freight for food and consumer items. As far as freight shipped into Tasmania is concerned, the TFES applies only to inputs for primary or secondary industry, not to retail goods.
- It was proposed that the Remote Area Allowance for social security recipients be increased to compensate those most in need on the Indian Ocean Territories. The Committee took evidence from the Department of Social Security which administers the allowance²⁸ and was informed that there is no provision for treating Christmas Island any differently from other remote areas eligible for the allowance.²⁹ There is a single amount of allowance payable, which does not bear a direct relationship to the cost of living in remote areas.³⁰

3.32 The Committee is concerned that much of the evidence on the need for subsidies and allowances is anecdotal and does not provide a firm basis for a policy decision on financial assistance. Nonetheless, the Committee does not doubt that there are genuine cases of hardship on Christmas Island and that there could well be a case for some or all Christmas Islanders to be compensated for the high cost of freight. The Committee acknowledges that statistical surveys never present the complete picture. However, policy decisions must be informed decisions, based on the best data available. Accordingly, the Committee believes that there should be a comprehensive statistical analysis of the cost of living on Christmas Island as a remote Australian community.

²⁶ *Submissions* p. 18.

²⁷ *Submissions* p. 774.

²⁸ *Transcripts* pp. 267–73.

²⁹ *Transcripts* p. 268.

³⁰ *Transcripts* p. 271.

RECOMMENDATION 1

3.33 The Committee recommends that the Australian Bureau of Statistics conducts a survey on Christmas Island to allow an assessment of the cost of living of residents on Christmas Island as a remote Australian community. The survey should identify, analyse and report on:

- patterns of income and expenditure for households earning wage and/or salary income on Christmas Island, broken down to at least three income brackets;
- prices of items in a selected household basket of goods and services on Christmas Island;
- the cost of parcel post, fuel, electricity, housing and transport on Christmas Island;
- the extent to which the duty-free status of Christmas Island affects the cost of living of its residents;
- the extent to which Zone Allowances and Location/District Allowances contribute to household expenses on Christmas Island;
- the average weekly income for individuals and families entirely dependent on social security payments on Christmas Island;
- the value of subsidised housing and any other benefits extended to social security recipients on Christmas Island;
- patterns of household expenditure for social security recipients on Christmas Island; and
- the extent to which the Remote Area Allowance paid to social security recipients on Christmas Island contributes to household expenses.

Sea freight

Existing service

From mainland Australia

3.34 The Western Australia Coastal Shipping Commission, trading as Stateships, commenced a liner shipping service to Christmas Island in September 1993, which provides freight deliveries from Fremantle about every four weeks. The service utilises a type of ship known as a Danish Coaster, designed for coastal voyages rather than deep sea intercontinental trade,³¹ with the capacity to carry about 150 containers. Stateships' vessels carry principally containerised freight. The ships call in at Christmas Island en route to Indonesia, Singapore and Thailand with freight from mainland Australia. Stateships' vessels servicing the Cocos (Keeling) Islands call in at Christmas Island on their inbound route back to Fremantle, to deliver freight from South East Asia and to collect empty containers.

3.35 Stateships' liner service to Christmas Island is not provided on Stateships' standard liner terms. Stateships explained that normal commercial stevedoring arrangements are not available on a competitive basis at Christmas Island, and operations at anchorage can be hindered or delayed by weather conditions or by the performance of the freight handling function at Flying Fish Cove.³² Accordingly:

- freight to Christmas Island is carried on a Liner In–Free Out/Free In–Liner Out basis – meaning it is the responsibility of the shipper to arrange and pay for stevedoring and handling, including the return of empty containers to the ship;³³
- acceptance of freight is limited to those shippers who satisfy Stateships that they have entered into appropriate arrangements for the handling of freight at Christmas Island, including the return of empty containers; and
- there is a demurrage surcharge when the time for loading and unloading the ship (and thus the time the ship is in port) is extended for circumstances beyond the control of Stateships.

³¹ Exhibit No. 57.

³² Exhibit No. 1.

³³ This compares to Stateships' service to Singapore which is on a Liner–In/Liner–Out basis that includes stevedoring costs. Stateships gave evidence that 'our [Stateships'] service goes to the back of a truck in Singapore and Fremantle'. *Transcripts* p. 374.

3.36 Stateships' rates for the carriage of freight from Fremantle to Christmas Island are shown in table 3.2. The rates shown apply to standard 20 foot (6.1 metre) containers or TEU (20 foot container equivalent). Tank containers carrying fuel and flatracks carrying bulky items such as cars have the same dimensions as standard containers and are charged at the same rates. Premiums are charged for the carriage of refrigerated or freezer containers and containers carrying hazardous freight. Hazardous freight includes flammable or volatile products. Household products such as paint would fit into the category of hazardous goods and incur a premium.

3.37 Additional charges per container are levied to cover demurrage (the delay of the ship in port beyond the agreed laytime for discharging freight), the port service charge at Fremantle and container demurrage (rental for the containers for every day they are kept on Christmas Island).

**Table 3.2 Stateships' freight tariff,
Fremantle to Christmas Island**

<i>Freight type</i>	<i>Rates (\$)</i>
<i>Container freight rates</i>	
Standard container	3 050
Refrigerated container	4 686
Hazardous freight	4 156
<i>Additional charges, per container</i>	
Demurrage	309
Port service charge (Fremantle)	78
<i>Container demurrage, per day</i>	
Dry containers	6
Containers	33

Source Stateships, *Cocos Island and Christmas Island
Liner Service Freight Tariff*, current to
31 December 1994. Exhibit No. 38

Demurrage

3.38 Shippers on Christmas Island were particularly concerned about demurrage charges which add several hundred dollars per container to the sea freight rate. The demurrage charge was \$309.03 per container when the Committee took evidence in April 1994. However, demurrage had exceeded \$430 per container in the preceding six month

period.³⁴ The level of the demurrage charge per container varies according to the length of time Stateships' vessels were detained at Christmas Island over the previous year.

3.39 The purpose of demurrage charges is to reimburse Stateships for the costs of detaining its ship at Christmas Island, beyond the laytime it has been agreed that the vessel will remain in port for unloading operations. Stateships allows laytime for the working of freight at Christmas Island at the rate of fifty containers in 24 hours – including weekends and public holidays.³⁵ If the ship is in port for longer than the agreed laytime, demurrage charges apply.

3.40 In 1993–94, the cost of demurrage for each day the ship was delayed at Christmas Island was \$15 753.³⁶ When asked how this figure was calculated, Stateships informed the Committee that the demurrage charge covered:

- the actual cost of detaining the vessel including charter hire, payment of crew wages and other costs involved in delays;
- the anticipated revenue forfeited due to fewer voyages being completed;
- the consequences of the delay in terms of Stateships' obligations to clients at other destinations on the route; and
- management, administration and overheads.³⁷

3.41 The demurrage surcharge to be recouped from Christmas Island shippers over a six month period (\$15 753 multiplied by number of days over laytime divided by the number of containers shipped to Christmas Island) is re-calculated by Stateships every six months. However, the re-calculation is based on half the number of days lost over the previous twelve months, to spread the demurrage costs accrued in the monsoon season over the whole year.³⁸ In the monsoon season towards the beginning of the year, the sea around Christmas Island is subject to heavy north-westerly swells and the port at Flying Fish Cove is battered by high waves. In these conditions, it is impossible to unload freight from Stateships' vessels. Most of the demurrage charges paid by shippers on Christmas Island are said to accrue when the ship is standing off the coastline because of bad weather, awaiting an opportunity to unload freight.³⁹ It is not

³⁴ Exhibit No. 1.

³⁵ Exhibit No. 1.

³⁶ Exhibit No. 38.

³⁷ *Submissions* p. 531.

³⁸ *Transcripts* p. 367.

³⁹ *Transcripts* p. 368.

surprising that many of the proposals for new port infrastructure put to the Committee were designed to overcome demurrage in the monsoon season.

3.42 The total sea freight charge for a standard dry container brought to Christmas Island from Fremantle (including ship demurrage but excluding container demurrage) is over \$3400.

From Singapore and Jakarta

3.43 Christmas Island is free to source products from South East Asia free of Australian customs duties and with less quarantine regulation than applies on the mainland. Accordingly, many products – including cars, whitegoods, electrical appliances, hardware, building materials and even food – are sourced from Singapore and Jakarta [Indonesia].⁴⁰ Stateships' rates for the carriage of freight from Singapore/Jakarta to Christmas Island are shown table 3.3.

**Table 3.3 Stateships' freight tariff,
Singapore/Jakarta to Christmas Island**

<i>Freight type</i>	<i>Rates (\$)</i>
<i>Standard Containers</i>	
(1–2 TEU per sailing)	2 070
(3–4 TEU per sailing)	1 900
(5+ TEU per sailing)	1 800
Refrigerated container	3 950
Hazardous Freight	2 980
<i>Motor Vehicles</i>	
0–5 units	1 930
6–10 units	1 600
11–15 units	1 400
16–20 units	1 250
20+ units	1 170

Note Volume discounts are only available where a single business ships all the goods.

Source Stateships, *Cocos Island and Christmas Island Liner Service Freight Tariff*, current to 31 December 1994.
Exhibit No. 38

⁴⁰ In the financial year 1993–94, 821 containers were delivered to Christmas Island of which 519 were shipped from Fremantle and 302 from South East Asian ports. *Submissions* pp. 1038–39.

3.44 Demurrage on the southbound voyage from South East Asian ports is much lower than for the northbound voyage ex-Fremantle. For the six months to June 1994, the demurrage surcharge for the southbound trip to Christmas Island was \$50.80 per container.⁴¹ Demurrage is lower on the southbound trip because the ship has greater flexibility to sail past Christmas Island if sea conditions are unfavourable.⁴²

3.45 It can be seen that it is significantly cheaper for Christmas Islanders to ship goods from South East Asia than from Fremantle – freight rates for a standard container are around \$2000 ex-Singapore compared to \$3400 per container ex-Fremantle. Christmas Island Resort Pty Ltd was able to negotiate an even lower rate with Stateships for trade between Singapore/Jakarta and Christmas Island – \$1000 per container for a minimum of twenty containers per trip. However, Christmas Island Resort Pty Ltd was unable to negotiate lower rates ex-Fremantle.⁴³

3.46 The marked disparity in freight rates from South East Asia and mainland Australia results in Australian manufacturers missing out on orders from Christmas Island. Businesses on Christmas Island were reportedly choosing to buy many products from South East Asian suppliers rather than Australian suppliers – not necessarily because Australian invoice prices were higher but because of the higher freight rates applying to freight ex-Fremantle.⁴⁴ Representatives from the Christmas Island

⁴¹ *Transcripts* p. 367.

⁴² *Transcripts* pp. 363–64.

⁴³ *Transcripts* p. 556.

⁴⁴ A recent consultant's report on the operation of Stateships pointed out to the WA Minister for Transport that Stateships' lower rates on the Singapore/Christmas Island leg compared to the Fremantle/Christmas Island leg could have an adverse effect on WA exporters. Mark Newton, *A Report on the Western Australia Coastal Shipping Commission, trading as Stateships – Official Report to the Minister for Transport* (May 1994) pp. 22–23. Exhibit No. 57. [It should be noted that the WA Government did not endorse the findings of the Report].

Chamber of Commerce Inc.,⁴⁵ Christmas Island Resort Pty Ltd⁴⁶ and Phosphate Resources NL,⁴⁷ all spoke of the freight incentive to source from Singapore.

Freight handling costs

3.47 The cost of unloading containers from the ship onto the wharf and loadout to consignees' vehicles are included in Stateships' liner terms for most ports. These charges would be covered in Stateships' liner rates to Singapore, for example. However, because of the nature of port facilities in the Indian Ocean Territories, these charges are additional to Stateships' sea freight tariff.

3.48 The 1993–94 posted rate for stevedoring and handling on Christmas Island was \$1100 per container or TEU.⁴⁸ In April 1994, Christmas Island witnesses gave evidence to the Committee that they were paying \$900 per container for stevedoring and freight handling plus \$150 for delivery into store.⁴⁹

3.49 By the time most consignees on Christmas Island receive a standard container load of dry goods, it would have cost them over \$4500 in freight and handling

⁴⁵ Mr Edward Turner, a hardware retailer on the Island, representing the Christmas Island Chamber of Commerce Inc., spoke of businesses on Christmas Island turning away from Australian suppliers to source from Singapore and Indonesia, because the freight rate from South East Asia was virtually half that from Fremantle. He noted that many electrical and building products are made in South East Asia by Australian suppliers such as Clipsal, Humes and Rocla, to Australian standards. Electrical wiring and power points must be approved to the Australian standard. *Transcripts* pp. 660–61.

⁴⁶ Mr Herman Gani, Project Manager for Christmas Island Resort Pty Ltd, observed that all building materials on Christmas Island were required to conform with the Australian building code – which limited the sourcing of construction materials from South East Asia. Nonetheless, the casino project had chartered a barge capable of carrying 60 containers at a time for five trips to bring construction materials from Singapore and Jakarta to Christmas Island. The casino had also shipped building materials from Jakarta on Stateships' vessels. *Transcripts* p. 556.

⁴⁷ Mr Ernest Zentner, a Perth based representative of Phosphate Resources NL, suggested that a lot of the money being spent by the Commonwealth on the Rebuilding Program was going to suppliers in South East Asia because the contractors on Christmas Island were sourcing building materials and pipes from Singapore and Jakarta. He said, 'The purchase price of goods is competitive here in WA. It is of a higher quality, but they are still going overseas purely for the fact that the freight component cancels out WA.' Mr Zentner also stated that local traders on Christmas Island were sourcing food, clothing, hardware and building materials from Singapore and Jakarta. *Transcripts* pp. 408–09.

⁴⁸ Exhibit No. 59. In 1992–93 there was a special 'project' freight handling rate of \$600 per container. Project freight comprised building materials for major construction projects on Christmas Island.

⁴⁹ *Transcripts* pp. 408 & 663.

costs. This compares to \$1628 for a container delivered and landed in Singapore (excluding delivery into store).⁵⁰

Effectiveness of sea freight arrangements

3.50 Christmas Island residents were generally satisfied with the effectiveness of the current shipping service. Stateships' service had adequate capacity to serve Christmas Island and to accommodate fluctuating volumes of freight. The service was reliable and the frequency of the service was considered adequate. Mr Ernest Zentner, representing Phosphate Resources NL, said, 'I do not think we can knock Stateships. I reckon Stateships provide an excellent service here. It is a regular service, it is every month.'⁵¹

3.51 The most serious complaint about the effectiveness of the sea freight service to Christmas Island concerned the disruption of Stateships' operations in the monsoon season when there is a heavy swell running.

3.52 There are two options. The Stateships' vessel can sit off the coast waiting for the sea to calm. In the twelve months to 15 December 1993, Stateships claimed to have lost 10.8 days at Christmas Island because of swell conditions.⁵² Alternatively, the Stateships' vessel can carry containers destined for Christmas Island on to its next destination to be delivered to Christmas Island at a later date. The Committee heard evidence that, in the 1994 swell season when the ship was unable to unload at Christmas Island, Stateships had carried over Christmas Island freight to Jakarta where it was offloaded and held for six weeks.⁵³

3.53 Neither of these options is really acceptable to shippers on Christmas Island. Every hour a ship is standing off Christmas Island waiting to unload freight, it is accruing demurrage charges which will eventually be paid by shippers on Christmas Island. If a ship overcarries freight to South East Asia, then Christmas Island experiences severe delays in the delivery of goods which, in turn, result in disruption to building projects as well as shortages of food and household products.

⁵⁰ Indicative freight rates from Fremantle to Singapore, provided by the then Department of Transport and Communications, were in the range of \$1478 to \$1552. *Submissions* p. 214. Stateships confirmed that its rates to Singapore would have to be in this range. *Transcripts* p. 358. Mr Ernest Zentner, Director, Zentner Consolidated Pty Ltd, gave the freight rate to Singapore as \$1478 (including the port service charge in Fremantle) plus \$150 for unloading in Singapore, for a total of \$1628, and this is the figure cited for comparison. *Submissions* p. 997.

⁵¹ *Transcripts* p. 409.

⁵² *Submissions* p. 531.

⁵³ *Transcripts* p. 349.

3.54 Ms Cheryl Wright, representing the Christmas Island Shire Council, emphasised the difficulties arising when Stateships cannot deliver freight:

There were several weeks [in the swell season at the beginning of 1994] with no fresh produce in the supermarket or in the major stores. ... The problem is that, if some ships do not come in, we have done our ordering and we get so far behind that it takes about four months to catch up. Our ordering is all done two to three months in advance. So that suddenly puts a big strain on the aircraft system. It was bad.

There was no shortage of food as long as you were prepared to eat whatever was available in a tin or dry goods. We were virtually out of frozen products and out of fresh products. It puts a strain on the community. There is no doubt about it. It demeans people into fighting for food. If you have not seen two people fight over a cabbage, it seems ridiculous. If you have not seen somebody taken to hospital after being hit over the head by a block of frozen prawns in a fight, it seems crazy, but we get to that stage.⁵⁴

3.55 The problem of ocean swell in the monsoon season is beyond the control of the shipping line. However, Stateships' policy on demurrage charges and overcarriage is examined later in this chapter.

3.56 Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, observed that high demurrage penalties and inflexible scheduling arose because Stateships' existing service was not a dedicated service for the Indian Ocean Territories but, rather, an adjunct to the trade to South East Asia. Mr Clunies-Ross suggested that the problems would persist as long as Christmas Island was dependent on the passing liner trade.⁵⁵

3.57 On the other hand, it could be that the passing liner trade will take the chance of calling at Christmas Island in the monsoon season, since the detour is not far off the main trade route to South East Asia, whereas a dedicated shipping service might avoid altogether sailing to Christmas Island in the monsoon season.

Cost of sea freight arrangements

3.58 Christmas Island shippers who gave evidence to the Committee claimed that Stateships' linehaul rates were too high, did not fairly reflect the cost of servicing Christmas Island and afforded a subsidy to other shippers consigning freight to South East Asia via Christmas Island.

3.59 This view was expressed by Mr David Scott, General Secretary of the Union of Christmas Island Workers,⁵⁶ Mr Edward Turner, representing the Christmas Island Chamber of Commerce Inc.,⁵⁷ Mr Robert McKnight, representing the Christmas

⁵⁴ *Transcripts* p. 543.

⁵⁵ *Submissions* pp. 11–13.

⁵⁶ *Transcripts* p. 627.

⁵⁷ *Transcripts* p. 760.

Island community,⁵⁸ Mr Neil Robinson, Shipping Manager for Total Western Shipping⁵⁹ and Mr Bryn Martin, former General Manager of Christmas Island Utilities.⁶⁰ Mr Michael Hudson-Ansell, Acting General Manager of Stateships, chose not to justify Stateships' freight rates from Fremantle to Christmas Island, nor to compare the profitability of the Christmas Island trade compared to the trade to South East Asia.⁶¹

3.60 Mr Ken Edwards, Director of the DEST Islands Liaison Office in Perth, believed that the Indian Ocean Territories had subsidised Stateships' entry into the South East Asian market but that Stateships was no longer dependent on the Christmas Island trade.⁶²

3.61 It was suggested by one witness⁶³ that Stateships could be exploiting its de facto monopoly position on the Fremantle – Christmas Island route and the then Department of Transport and Communications considered this was possible.⁶⁴

⁵⁸ *Transcripts* p. 610.

⁵⁹ *Transcripts* p. 315.

⁶⁰ *Transcripts* p. 351.

⁶¹ At the public hearing in Perth, Mr Hudson-Ansell was invited to answer the claims of Christmas Island shippers. He maintained that the Christmas Island/South East Asian service was a combined service, and that it was inappropriate to break down the profitability of the Christmas Island trade and the Asian trade. He observed, 'For the last few months we have been carrying perhaps 45 per cent of our cargo each month to Christmas Island; so in that context it has to be a higher per cent freight. ... We do not feel it entirely necessary to go into the individual nature of our business dollar by dollar and neither does any other business.' *Transcripts* p. 354.

⁶² *Transcripts* p. 381.

⁶³ Mr Herman Gani, Director and Project Manager, Christmas Island Resort Pty Ltd, was able to negotiate reductions in Stateships' freight rates from South East Asia. However, he was not able to win any discounts on the leg from Fremantle. He recounted, '... they [Stateships] do not want to change the price at all from the mainland to Christmas Island. I negotiated that directly. I contacted Mr Simon Johnson, the marketing director, but he said that he cannot [change the rate out of Fremantle] and he knows that he is the only carrier who can bring our goods. However, with freight from South East Asia, I have many choices: we can charter our own barge or we can charter ships.' *Transcripts* p. 556.

⁶⁴ The Department of Transport and Communications noted that there were undoubtedly many commercial factors resulting in higher freight rates to the Indian Ocean Territories than to South East Asia. 'Nevertheless, it is possible that some of the differential results from lack of price competition, such as would exist in the Fremantle to Singapore trade.' *Submissions* p. 214.

3.62 The rates for carriage of freight consigned to Christmas Island compare most unfavourably with Stateships' rates for the carriage of containers to Singapore, as discussed earlier, despite the fact that Singapore is 1100 nautical miles further north.⁶⁵ However, at least some and perhaps all of this disparity can be explained in terms of the following commercial considerations.

- The volumes of freight consigned to Christmas Island are small compared to exports into the South East Asian market.
- Although Christmas Island freight now accounts for up to 45% of the freight carried on the outbound route,⁶⁶ Stateships claims to have been consistently overbooked to South East Asia to the point where it could have filled its ships without carrying any freight to Christmas Island.⁶⁷
- There is virtually no return containerised freight from Christmas Island to South East Asia or mainland Australia.
- Shipping lines could be discouraged by the delays and inconvenience associated with freight unloading at Christmas Island port.

3.63 The Committee took up with Stateships the question of the discrepancy between freight rates Fremantle – Christmas Island compared to Fremantle – Singapore. Mr Michael Hudson-Ansell, the Acting General Manager, replied:

We are certainly open to more competition in South East Asia and that has a bearing, but also the ports in South East Asia are much more competitive in their own rights. ... In Fremantle we would look to turning round somewhere over 200 containers a day. In Singapore you are talking about well over 500. In Kuching, we can do well over 100, 150 if required [compared to fifty at Christmas Island]. Jakarta is probably as high as Singapore. When you are talking in the context of Christmas Island it is very much a different ball game and, therefore, the costs increase accordingly. So in the time context alone there is a cost increase. ...

Basically, the reasons for the higher costs on Christmas Island ... are the slower working rates and the very small percentage of returned cargoes. ... This small volume in comparison to the other major ports means that a higher per unit cost is incurred. There is also the demurrage charge. ...

We quite freely entered into a liner service last September in the belief that nobody could do it cheaper than this.⁶⁸

⁶⁵ *Transcripts* p. 296.

⁶⁶ *Transcripts* p. 354.

⁶⁷ *Transcripts* p. 369.

⁶⁸ *Transcripts* pp. 355–56.

3.64 DEST pointed out that the route is open to anyone who wants to compete with Stateships.⁶⁹ Mr Ken Edwards, Director of the DEST Islands Liaison Office in Perth, was aware of two shipping companies that appraised the potential for capturing Christmas Island trade but decided they could not compete with Stateships' rates.⁷⁰

3.65 The then Department of Transport and Communications supported Stateships' claims that freight rates to Christmas Island were adversely affected by the relatively small volumes involved, lack of return freight to mainland Australia and the limitations of the port infrastructure.⁷¹ Mr Ken Edwards, Director, DEST Islands Liaison Office, also recognised these commercial drawbacks:

Again, I have to be honest and say that when I initially went out with the tender process [in 1993], I was absolutely convinced that there was no way we would get a shipping company to come in and operate a strictly liner terms commercial arrangement. As we went through the process I still am nearly flabbergasted by the fact that we ended up with a commercial service because I guess the smaller volumes that do exist to both islands and the potential for difficulties, especially at Christmas Island with weather, I believe make it a lean operation and to take it on your back as a commercial operation I believe showed a considerable amount of risk taking by Stateships as an operation.⁷²

3.66 When asked by the Committee what Christmas Islanders could do to reduce freight rates, Mr Hudson-Ansell, Acting General Manager, Stateships, replied, 'They could start exporting. That would be the biggest significant factor to reduce costs.'⁷³

3.67 However, the major export from Christmas Island, bulk and bagged phosphate, is not suitable for carriage on container ships. Phosphate Resources NL claimed that it could not interest Stateships in the carriage of bulk phosphate.⁷⁴ Phosphate Resources NL has obtained single voyage permits to ship phosphate to mainland Australia in foreign vessels.⁷⁵

3.68 Shippers on Christmas Island believed that Stateships' freight rate to Christmas Island included a component for the backfreight of the empty container and argued that this should allow freight to be sent back to Fremantle at greatly reduced

⁶⁹ *Transcripts* pp. 22 & 380.

⁷⁰ *Transcripts*, p. 380.

⁷¹ *Submissions* pp. 212–14.

⁷² *Transcripts* p. 380. The tender process for the Joint Island Supply System was discontinued when Stateships announced its intention to commence a liner service to the Indian Ocean Territories.

⁷³ *Transcripts* p. 369.

⁷⁴ *Transcripts* p. 410.

⁷⁵ *Transcripts* pp. 410–11.

rates.⁷⁶ The Committee was interested in the possibility of sending recyclable waste from Christmas Island.

3.69 Mr Hudson-Ansell, Acting General Manager, Stateships, explained that there was a component in the freight rate to Christmas Island for repositioning empty containers which would amount to one quarter to one third of the freight rate for a full container.⁷⁷ Mr Hudson-Ansell indicated that Stateships would be prepared to negotiate the backfreight of waste in otherwise empty containers but waste would not be carried free. There would be an additional charge because the carriage of waste from Christmas Island would affect the deadweight of the vessel returning to Fremantle (and thus running costs of the ship) and Stateships' flexibility to reposition containers.⁷⁸

3.70 It was generally accepted that Stateships has a right to recoup the costs of its ships being delayed in port in the form of a demurrage surcharge. However, a number of objections were raised about Stateships' calculation of demurrage. The Committee's attention was drawn to the following perceived inequities.

- Although Stateships applied penalties for every hour the ship was delayed in port beyond the 24 hour laytime specified for the unloading of fifty containers, Stateships did not allow dispatch (a credit) when the ship sailed early – say 12 hours after arrival at Christmas Island.⁷⁹
- Demurrage was based on the time a vessel was detained in port, but there was no independent assessment of whether or not Stateships contributed to any delay – by restowing or moving containers around the deck for example.⁸⁰
- The Stateships' vessel would give its Notice of Readiness on arrival at Smith Point. If it arrived at 4 pm in the afternoon then, in practice, unloading could not commence until the next day and two hours daylight for working the ship would effectively be lost.⁸¹

⁷⁶ Mr Robert McKnight, representing the Christmas Island community, gave evidence to this effect. 'Stateships came to the island some time ago and I asked why those costs [the freight rates to Christmas Island] were \$1600 more than what it costs to take a container to Singapore. Stateships told me that the company allowed for the empty container to go back to Perth. I said "That is great. I will bring a container load of goods up and, because I have already paid for it to go back to Perth, I will load it with freight and it will not cost me any more," and the man at Stateships said, "No you can't do that"...'. *Transcripts* p. 609.

⁷⁷ *Transcripts* pp. 360–61.

⁷⁸ *Transcripts* pp. 360–61.

⁷⁹ *Transcripts* pp. 311–12.

⁸⁰ *Transcripts* p. 311.

⁸¹ *Transcripts* p. 312.

- The Stateships' vessel could choose to sail off within the 24 hour laytime without loading empties, with demurrage possibly being incurred on a later journey when the empties were loaded.⁸²

3.71 The Committee raised these issues with Stateships.⁸³ Mr Hudson-Ansell indicated that Stateships would be willing to negotiate with shippers if they harboured concerns about Stateships' demurrage calculations.⁸⁴ Since the commencement of Stateships' commercial service to Christmas Island, maritime authorities on Christmas Island have not kept records of the times of ship arrivals, restowing delays, departures within laytime. These records were kept when the shipping service to the Indian Ocean Territories was provided under contract to the Commonwealth as part of the Joint Island Supply System (JISS).⁸⁵

3.72 Mr Hudson-Ansell pointed out, 'The main [demurrage] problem – probably 90% or more of the time – is the weather conditions in the swell season.'⁸⁶ The other reason for demurrage was said to be industrial problems at the port.⁸⁷ Mr Ken Edwards, Director of the DEST Islands Liaison Office in Perth, noted that the laytime allowed by Stateships for unloading operations was 24 hours for fifty containers and that the port authority on Christmas Island could easily unload the specified fifty containers in daylight working hours in fair weather.⁸⁸ Mr Hudson-Ansell observed that the unloading rate of fifty containers per day was being achieved at Christmas Island, 'but not regularly'.⁸⁹

3.73 The upgrading of freight handling infrastructure under the Rebuilding Program has equipped the port to enable unloading operations to continue at night, effectively making Christmas Island a 24 hour port.⁹⁰ However, at the time of writing,

⁸² *Transcripts* p. 659.

⁸³ *Transcripts* pp. 362–68.

⁸⁴ *Transcripts* p. 366.

⁸⁵ *Transcripts* pp. 311 & 365.

⁸⁶ *Transcripts* p. 368.

⁸⁷ *Transcripts* p. 370.

⁸⁸ *Transcripts* p. 379.

⁸⁹ *Transcripts* p. 370.

⁹⁰ The port is now equipped with shore lighting and lighted buoys. Trial night operations were conducted in April 1994. At the time of writing, freight operations involving the use of the barges were not conducted at night pending the negotiation of an enterprise agreement with maritime workers. However, fuel unloading and bulk phosphate loading continued into the evening. The port is equipped to berth ships at night in an emergency. For example, in late 1994, a ship was berthed in the early hours of the morning to allow a seriously injured seaman to be taken to hospital.

the port authorities had not been able to obtain a commitment from Stateships that this enhanced capability would result in lower freight rates or lower demurrage charges for shippers on Christmas Island.⁹¹ Stateships considered that the procedures for night operations at Flying Fish Cove were not established and that there was no guarantee that a Stateships' vessel would be worked as soon as it arrived at Christmas Island.⁹²

The future of shipping services to Christmas Island

3.74 At the public hearing in Perth on 26 April 1994, the Chairman asked the Acting General Manager of Stateships, Mr Michael Hudson-Ansell, if there was likely to be any change in Stateships' service to the Indian Ocean Territories in the foreseeable future. The Committee was informed that the West Australian Government had made a firm commitment that broadly existing services would be maintained for a three year period.⁹³ Mr Hudson-Ansell also said that there were no plans to increase the tariff.⁹⁴

3.75 Towards the end of 1994, tenders were called for the management of Stateships' operations. The Committee was aware that a number of proposals were put forward – including tenders from private enterprise. In October 1994, Mr Hudson-Ansell confirmed in writing that, if the WA Government retained the existing management of Stateships, then the monthly shipping schedule to Christmas Island would be maintained.⁹⁵

3.76 In December 1994, the WA Minister for Transport announced that Stateships would continue to be run by the existing management.⁹⁶

3.77 In the context of uncertainty about the future of Stateships' operations to Christmas Island beyond 1996 and dissatisfaction with the cost of the existing shipping service, the Committee seriously considered options for future shipping services to Christmas Island.

3.78 The Committee considered briefly what shipping services to the Indian Ocean Territories were in place prior to the commencement of Stateships' commercial

⁹¹ *Transcripts* p. 931.

⁹² *Transcripts* p. 370. *Submissions* p. 1053.

⁹³ The West Australian Minister for Transport announced at the end of 1993 that Stateships' services to north west Australian mainland ports and to South East Asia would continue at least until the end of 1996. Exhibit No. 64.

⁹⁴ *Transcripts* pp. 353–54.

⁹⁵ *Submissions* p. 1053.

⁹⁶ Exhibit No. 83.

operation, to better understand the potential options for future shipping services to Christmas Island.

Joint Island Supply System – 1989 to 1993

3.79 Until the closure of large scale phosphate mining operations in 1987, the ships carrying phosphate to Australia had carried general freight to Christmas Island on the return trip. The Director of the DEST Islands Liaison Office in Perth, Mr Ken Edwards, who was involved in arranging shipping services to the Indian Ocean Territories, gave evidence to the Committee on the fears of Christmas Islanders in 1987–88:

When the mine closed, I can tell you with some assuredness – being the person at the end of the phone in Perth – that grown men were literally crying on the other end of the phone. They were saying, 'We will never get a ship here again because the phosphate industry will not send any here. We cannot induce shipping here.'⁹⁷

3.80 Following the cessation of the shipping service operated by the Phosphate Mining Corporation of Christmas Island, Stateships provided a shipping service to Christmas Island by arrangement with Wesfarmers. Stateships also won a Commonwealth contract to carry freight to the Cocos (Keeling) Islands from 1 February 1988 to 31 January 1989.

3.81 The Commonwealth subsequently set up JISS to provide a store-to-store shipping service to the Indian Ocean Territories. Following a tender process in 1988, contracts were let for the different components of this service:

- freight forwarding and port agency functions in Fremantle,
- sea carriage, and
- stevedoring and freight handling on Christmas Island and the Cocos (Keeling) Islands.

The initial contract for sea carriage was awarded to Stateships and JISS services commenced in February 1989. Stateships had indicated that approximately \$115 000 revenue was required for a dedicated service by Stateships to the Indian Ocean Territories and container freight rates were set by Stateships accordingly, based on the volume of freight then delivered to Christmas Island and the Cocos (Keeling) Islands.⁹⁸

3.82 In May 1992, the DEST Islands Liaison Office in Perth convened a public forum of shippers from the Indian Ocean Territories, to discuss what could happen when the original JISS contract expired in January 1993, and, in particular, what sort of

⁹⁷ *Transcripts* p. 376.

⁹⁸ *Transcripts* p. 295. These details were given in evidence by Mr Neil Robinson who was on the Commonwealth taskforce to assist in the development of JISS.

shipping service the Territories needed. Shippers agreed, amongst other things, that a shipping cycle of preferably four weeks, and no more than six weeks, was essential.⁹⁹ A new call for tenders for JISS was put out in early 1993 and a number of expressions of interest received for the shipping component. However, in July 1993, Stateships announced that it would operate a commercial shipping service to Christmas Island and the Cocos (Keeling) Islands. The JISS tender process was aborted.

3.83 Stateships' commercial service to Christmas Island and the Cocos (Keeling) Islands commenced in September 1993. Stateships had, at that time, just entered the South East Asian trade.

Future options

3.84 There are no definite proposals on the table for an alternative shipping service to Christmas Island. This is to be expected since Stateships' liner service is established and there have been no calls for expressions of interest in the provision of shipping to the Indian Ocean Territories.

3.85 However, Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, dismissed out of hand fears that it could be difficult to obtain a shipping service for the Indian Ocean Territories in the future.

I could run a shipping line tomorrow on a commercial basis. Whilst I would not give you any guarantees, I would say there is a bloody good chance of all the prices tumbling down pretty fast. ... Give shippers discounts for volume. It is all there. People do it every day. Stateships is carrying on as though it is bloody black magic or something – it is not. It is perfectly simple.

... It is so simple. Shipping is money for jam, absolutely.¹⁰⁰

3.86 The Committee is aware of a number of shipping proposals which have been examined in recent years or are currently being considered.

- Cocos Traders Ltd tendered to supply a dedicated shipping service in 1992. A copy of the tender document has been published by the Committee as a submission to the Inquiry.¹⁰¹ Mr John Clunies-Ross, in evidence, indicated that Cocos Traders Ltd is still interested in launching a dedicated shipping service to the Indian Ocean Territories.¹⁰²

⁹⁹ Exhibit No. 33.

¹⁰⁰ *Transcripts* p. 692.

¹⁰¹ *Submissions* pp. 848–56.

¹⁰² *Transcripts* p. 692.

- ASDMAR Pty Ltd is a Queensland firm of consulting naval architects and designers which specialises in developing shipping strategies for island trade. At the time of writing ASDMAR was developing a proposal to run a stern landing vessel from Dampier or Port Hedland [WA] to the Indian Ocean Territories. This vessel would be suited to roll-on/roll-off (RO/RO) container operations. ASDMAR was consulting with business interests on Christmas and the Cocos (Keeling) Islands.¹⁰³
- Business interests on Christmas Island were considering proposals to source Australian and South East Asian supplies through an import/export agent in Singapore. Freight could be consigned to Christmas Island on Stateships' vessels ex-Singapore or on foreign crewed vessels, or on a ship hired by Phosphate Resources NL to carry phosphate back to South East Asia.¹⁰⁴
- When the casino/resort complex on Christmas Island was under construction, Christmas Island Resort Pty Ltd hired an ocean going barge carrying up to sixty containers from Singapore to Christmas Island at a cost of \$20 000 for the round trip.¹⁰⁵
- Consideration has been given to using high speed ocean going catamarans to provide a shipping service to the Indian Ocean Territories, perhaps also moving perishables into South East Asia.¹⁰⁶

3.87 These proposals were designed to provide a better, more flexible and secure service to the Indian Ocean Territories and/or to cut freight rates.

Cabotage

3.88 One issue which will need to be considered in relation to future shipping services to Christmas Island is the Island's status as part of the coastal shipping trade of Australia. Business interests on Christmas Island have argued that, if Christmas Island were to be given an exemption from cabotage provisions, Christmas Island businesses would be free to arrange for shipping services to Christmas Island to be provided by foreign flag shipping lines.

3.89 Christmas Island is included in the coasting trade of Australia for the purposes of the *Navigation Act 1912*. This Act reserves Australian coastal shipping, including trade between the Australian mainland and Christmas Island, to licensed ships

¹⁰³ Exhibit No. 56.

¹⁰⁴ *Transcripts* pp. 351 & 627–28 & 658. In October 1994 the Committee received advice that these plans had not yet been implemented.

¹⁰⁵ *Transcripts* p. 556.

¹⁰⁶ *Transcripts* pp. 385–89.

employing maritime workers at Australian award rates and conditions – in practice, to Australian flag vessels. The policy of reserving the coasting trade to national vessels is known as cabotage and is common to most of Australia's trading partners.

3.90 Section 7 of the *Navigation Act 1912* provides for exemptions from cabotage to be granted by order of the Governor-General. The Cocos (Keeling) Islands have held such an exemption since 1956.

3.91 Christmas Island itself has been exempt from cabotage at various times since it became an Australian territory – most recently from 1962 to 1973.¹⁰⁷ The Department of Transport explained that Christmas Island had been included in Australia's coastal shipping trade in the 1970s because Christmas Island had, at that time, been shipping vast amounts of bulk phosphate and it had been the then Government's policy to encourage investment in Australian shipping. However, this situation has changed. Mr Ernest Zentner, representing Phosphate Resources NL, observed that the company had been unable to interest Stateships in carrying phosphate to mainland Australia.¹⁰⁸

3.92 The Department of Transport advised the Committee that there is provision in the *Navigation Act* for single (or continuing) voyage permits to be issued for unlicensed foreign carriers to ply the coasting trade in situations where there is no licensed ship available and/or the service offered by licensed ships is inadequate, providing the issue of the permit is in the public interest.¹⁰⁹ In the period 1 July 1993 to 8 September 1994, two single voyage permits were issued for the carriage of Christmas Island phosphate into mainland Australia and a further single voyage permit was issued to Stateships for the carriage of general freight from Fremantle to Christmas Island using a foreign vessel.¹¹⁰ There are no limitations on the number of single voyage permits that can be issued.¹¹¹

3.93 Mr Ernest Zentner, giving evidence to the Inquiry on behalf of Phosphate Resources NL, stated that the application fee for single voyage permits was \$400.¹¹² There would also be administrative inconvenience and delays involved in obtaining permits. It is difficult to see how reliance on single voyage permits would place Phosphate Resources NL in a strong bargaining position either as a shipper or as a supplier of phosphate into the Australian market.

¹⁰⁷ *Transcripts* p. 128. *Submissions* p. 211.

¹⁰⁸ *Transcripts* p. 410.

¹⁰⁹ *Submissions* p. 210.

¹¹⁰ Exhibit No. 68. In October 1994, Stateships advised that its single voyage permit was obtained for the short term charter of a foreign flag vessel while one of Stateships' licensed vessels was out of service following a major gear box failure. *Submissions* p. 1053.

¹¹¹ *Transcripts* p. 131.

¹¹² *Transcripts* p. 414.

3.94 Many shippers on Christmas Island were in favour of Christmas Island being given an exemption from cabotage on the basis that it would allow Christmas Island to be supplied by foreign flag vessels plying the trade route from Fremantle to Asia.¹¹³

3.95 It was forcefully put to the Committee that the cabotage policy for Christmas Island was counter-productive in terms of overall economic benefit to the Australian economy and workforce. Business interests on Christmas Island had considered establishing an import/export agent in Singapore to source supplies for Christmas Island from mainland Australia as well as South East Asia. Supplies which could not be bought more cheaply from Asia could be transhipped from Sydney or Brisbane, for example, through Singapore to Christmas Island – and the freight rate for transhipped goods was still expected to be less than Stateships' posted rates for goods shipped from Fremantle to Christmas Island.¹¹⁴

3.96 Stateships was not opposed to the removal of cabotage.¹¹⁵ DEST considered that cabotage should be lifted to test the open market for shipping to the Indian Ocean Territories.¹¹⁶

3.97 Interests on Christmas Island were confident that, if cabotage was to be lifted, other shipping lines would call in because Christmas Island is close to the Sunda Straits, a major international shipping lane. The Australian Chamber of Shipping¹¹⁷ and the Department of Transport and Communications¹¹⁸ lent some support to this view. The Department of Transport, however, did not have a strong view on whether or not Christmas Island should be exempt from cabotage.¹¹⁹

3.98 Cogent arguments were put to the Committee opposing the lifting of cabotage, as discussed below.

¹¹³ This view was argued by John Clunies-Ross, Managing Director, Cocos Traders Ltd, *Submissions* pp. 2–13, and strongly supported by the Christmas Island Chamber of Commerce Inc., *Submissions* pp. 760–61 and *Transcripts* pp. 656–58.

¹¹⁴ *Transcripts* pp. 627–28 & 658.

¹¹⁵ *Transcripts* p. 372.

¹¹⁶ *Submissions* pp. 332–34, *Transcripts* pp. 23–25.

¹¹⁷ *Submissions* p. 116.

¹¹⁸ *Submissions* p. 214.

¹¹⁹ *Transcripts* pp. 128–31.

- If Christmas Island was exempt from cabotage, it would be able to attract the passing liner trade, but the Cocos (Keeling) Islands (far distant from shipping lanes and with very small volumes of freight) would be unable to attract shipping at all.¹²⁰ As a combined trade, the Indian Ocean Territories would stand a better chance of attracting a dedicated shipping service.
- Short-term, the abolition of cabotage could result in lower freight rates to Christmas Island as different lines competed for the trade. However, long-term, this competition could fragment a market that is really only economic for a single carrier. The risk would be that Christmas Island could end up without any shipping line committed to providing a regular freight service.¹²¹
- The Western Australia Branch of the Maritime Union of Australia pointed out that the staffing levels on Stateships' operations were the lowest in the country and that the cheaper freight rates from foreign flag vessels were simply a reflection of cheaper third-world wages. It was argued that it was no more legitimate to allow foreign vessels to service Christmas Island than it was to allow non-residents to enter Australia to work in other industries.¹²²

3.99 When the Committee came to consider what recommendation, if any, it should make on cabotage, there was a vigorous debate on the issue.

3.100 For a start, it was unclear that reserving the trade from Fremantle to Christmas Island for Australian shipping was really helping Australian shipping and Australian suppliers. Rather, cabotage appeared to be having the effect of steering Christmas Islanders away from Australian-made goods to competing products shipped from Singapore or Jakarta.

3.101 *Supporting Christmas Island's exemption from cabotage*, some members of the Committee considered that Christmas Island should be treated the same as the Cocos (Keeling) Islands and Norfolk Island which were exempt from cabotage. These members observed that the reason for including Christmas Island under cabotage policy in the early 1970s, namely to secure for Australian flag shipping the substantial trade in bulk phosphate then sent from Christmas Island to mainland Australia, was no longer valid.

3.102 *Opposing Christmas Island's exemption from cabotage*, other members argued that there was no difference in principle between the carriage of goods from Fremantle to Christmas Island and the carriage of goods from Fremantle to north west Australian mainland ports. These members were not satisfied that a strong argument had been made for exempting Christmas Island from cabotage.

¹²⁰ *Transcripts* pp. 648–49.

¹²¹ *Transcripts* pp. 615–16.

¹²² *Transcripts* pp. 416–17.

3.103 The significant points of agreement in the Committee were:

- that any recommendations on the exemption of Christmas Island from cabotage provisions needed to take into account the likely impact on the Cocos (Keeling) Islands;
- that it was necessary to learn more about the type of shipping likely to be servicing the Indian Ocean Territories in the future before a responsible decision could be made about the need for Christmas Island to be given a special exemption from cabotage; and
- that if Australian flag shipping was not prepared to provide a regular shipping service to both Indian Ocean Territories at competitive rates then it was unsatisfactory for shippers to be reliant on single voyage or continuing voyage permits from the Department of Transport.

These agreed principles formed the basis for the Committee's decision on cabotage set out below as Recommendation 3.

Conclusions

3.104 A regular and reliable shipping service is fundamental for the survival and growth of Christmas Island. The cost of that shipping service will have a marked impact on the standards of living of Christmas Island residents and the development of the tourist industry and other industries on Christmas Island.

3.105 The Committee believes:

- that the Commonwealth has an obligation to ensure the provision of a reliable and satisfactory shipping service to the Indian Ocean Territories;
- that if Stateships' current service to Christmas Island was to cease and no other commercial service was to be offered immediately, the Commonwealth would have to arrange a contract shipping service once again;
- that, in the foreseeable future, it is unlikely that the Indian Ocean Territories will generate the volumes of freight that would attract competing shipping services to the Territories and there is likely to be only one shipping line servicing the Territories;
- that the natural monopoly on the route implies an obligation on the part of the Commonwealth to take an active role in ensuring that residents in the Territories have access to shipping at fair rates and on reasonable terms;

- that the Commonwealth, itself estimated to account for \$600 000 to \$700 000 worth of freight to the Indian Ocean Territories each year,¹²³ mainly for the transport of building materials, is well placed to call for expressions of interest in shipping to the Territories;
- that it may be useful for the Commonwealth to determine what type of ships are likely to be calling at the Indian Ocean Territories in the future before costly decisions are made about new port infrastructure to be provided, since there is little point in equipping Flying Fish Cove to handle sophisticated RO/RO container ships if these ships would not be interested in diverting from the major trade routes;
- that, if the Commonwealth is ultimately expected to provide some modification or addition of port infrastructure to facilitate the operation of a new shipping service, then it is reasonable for the Commonwealth to determine what sort of shipping service is appropriate for Christmas Island; and
- that it is desirable that there is a formal process for considering the options for shipping services to the Indian Ocean Territories and, conversely, that it is undesirable for the Indian Ocean Territories to be forced to accept whatever commercial service is on offer without any assessment of how this service does, or does not, meet the needs of residents.

3.106 Having regard to all these principles, the Committee is of the view that the Department responsible for external Territories (presently DEST) should arrange for the calling of tenders for the provision of a shipping service to the Indian Ocean Territories. Since the future of Stateships' service is uncertain after September 1996, the tender process should be completed by this date.

3.107 However, the tender process should be preceded by formal consultation with the residents of the Indian Ocean Territories and other shippers. The Committee anticipates that the following steps would be followed.

(1) *Call for expressions of interest for the provision of a shipping service to the Indian Ocean Territories*

Shipping lines would be invited to indicate interest in servicing the Indian Ocean Territories. The present and projected freight volumes to the Territories would be specified. Shipping lines would be required to set out the terms and conditions on which a shipping service to the Indian Ocean Territories would be provided, covering such matters as the frequency of service, loading ports (including those outside Australia), indicative freight rates, the type of ship to be deployed on the route and the requirements for stevedoring and freight handling at the ports.

¹²³ *Transcripts* p. 383.

At this stage of the process, shipping lines would be invited to submit proposals based on the existing situation whereby Christmas Island is included as part of Australia's coasting trade, and also to submit proposals based on Christmas Island being granted an exemption from cabotage.

(2) *Consultation with residents of the Indian Ocean Territories*

Following the receipt of expressions of interest, the Committee considers it would be desirable for the Department responsible for Territories (presently DEST) to convene another public forum of shippers to the Indian Ocean Territories. The purpose of the forum would be to inform residents of the Territories of the expressions of interest lodged, without disclosing highly commercially sensitive detail, and to discover what sort of a shipping service the Territories want. The outcome of the process of consultation would be a set of firm and realistic tender specifications for shipping to the Indian Ocean Territories.

At this stage of the process, it would also be important for the Department to make an assessment of whether or not cabotage restrictions on shipping to Christmas Island seriously limit the choice of shipping to the Indian Ocean Territories, and to advise the Government accordingly.

(3) *Tender process*

The Committee would expect the Department responsible for Territories to arrange for the calling of tenders for a shipping service to the Indian Ocean Territories. This tender would not encompass the freight forwarding function, nor stevedoring and freight handling in the Territories.

The Committee is adamant that the formal tender process should not be preempted by the Department negotiating a deal with any particular carrier following the receipt of expressions of interest.

The Committee considers that the Commonwealth could enter a contract with the successful tenderer for the carriage of all Commonwealth freight to the Territories, on condition that other shippers be offered the same rates and conditions as offered to the Commonwealth. This approach would not commit the Commonwealth to underwrite the cost of the shipping service but would guarantee the successful tenderer a significant proportion of the total revenue needed to run a viable shipping service to Christmas Island and the Cocos (Keeling) Islands.

3.108 The Committee considers that the first stage in this process should commence immediately.

RECOMMENDATION 2

3.109 The Committee recommends that expressions of interest be called immediately for the operation of a shipping service to the Indian Ocean Territories to commence no later than September 1996, and that interested parties be invited to address either or both of two scenarios:

- Scenario One being the continuation of the status quo where Christmas Island is part of the coasting trade of Australia, and
- Scenario Two based on Christmas Island being granted an exemption from the cabotage provisions in the *Navigation Act 1912*

RECOMMENDATION 3

3.110 The Committee recommends that, following receipt of all expressions of interest submitted in response to Recommendation 2, the Government consider the advice of the Department responsible for the external Territories on whether or not to grant exemption to Christmas Island from the operation of the cabotage provisions in the *Navigation Act 1912*.

RECOMMENDATION 4

3.111 The Committee recommends that, following receipt of all expressions of interest submitted in response to Recommendation 2, the Department responsible for the external Territories assesses the proposals and, in consultation with residents of the Indian Ocean Territories and other shippers to the Territories, advises the Government on desirable tender specifications for a shipping service to the Indian Ocean Territories.

RECOMMENDATION 5

3.112 The Committee recommends that tenders be called for the operation of a shipping service to the Indian Ocean Territories to commence no later than September 1996, and further recommends that the Commonwealth contract with the successful tenderer for the carriage of Commonwealth freight to the Indian Ocean Territories.

Freight handling infrastructure

3.113 Significant upgrading of freight handling infrastructure on Christmas Island has been, or is being, carried out under Stage One of the Rebuilding Program (1992 to 1997) – including:

- the laying of new wharf pavement,
- the installation of the new wharf crane,
- re-design and installation of new moorings, and
- upgrading of the jetty and Marine Building.

3.114 Further upgrading of port facilities is proposed in Stage Two (1997 to 2002) – including:

- demolition of the fuel tank farm at Flying Fish Cove;
- foreshore paving and carpark;
- repair of the sea wall;
- provision of marine buoy service yard; and
- connection of water supply to the wharf.

3.115 The purpose of this section of the Report is to outline the current freight handling arrangements and to indicate the significant upgrading of port infrastructure which will be undertaken as part of the Rebuilding Program.

3.116 The Committee examines whether or not new equipment that has been provided or is about to be provided under the Rebuilding Program will be adequate for freight handling on Christmas Island in the foreseeable future. Where necessary, the Committee comments on the priorities and proposed timetable for upgrading port facilities.

3.117 The Committee then focuses on the long term development of Christmas Island and examines suggestions for the construction of modern RO/RO harbour facilities on Christmas Island.

3.118 Figure 3.2 is a plan of the port at Christmas Island, showing the position of freight handling facilities at Flying Fish Cove and the fuel unloading site at Smith

Point. This figure shows the cantilevers¹²⁴ used to load bulk phosphate, the existing mooring system, other existing infrastructure and also facilities scheduled to be provided in Stage One of the Rebuilding Program, namely the proposed bond store for customs and quarantine purposes and the new wharf office. Figure 3.2 also shows the location of the Kampong (residential area) in relation to the wharf.

Current freight handling arrangements

3.119 A ship loading or unloading general freight at Christmas Island anchors at deep sea moorings in Flying Fish Cove. Christmas Island's barges tie up alongside the ship and freight is discharged onto the barges by the ship's cranes. The barges return to the wharf face, where a wharf crane lifts the containers onto the wharf pavement. Container unloading rates as high as ten per hour have been achieved with this system.¹²⁵

3.120 Once on the wharf, containers may be delivered to clients direct by prime mover and sidelifting trailer,¹²⁶ or they can be moved around the wharf by forklift. There is one forklift capable of lifting a full container (21 tonnes)¹²⁷ and other forklifts ranging in capacity up to 15 tonnes. There are electrical points on the wharf which allow refrigerated containers to be plugged into power. There is a bulk freezer store and bond store on the wharf – the latter being used to store explosives, drugs and other dangerous goods.

3.121 The different elements of port infrastructure at Flying Fish Cove – the moorings, the barges, the gantry crane and jetty used to land the barges, the wharf crane used to land containers, the wharf itself and the Smith Point fuel facility – are examined below.

¹²⁴ The cantilever is a metal structure extending over the cliff at Flying Fish Cove. Bulk ships moor underneath the cantilever and rock phosphate is carried to the end of the cantilever by conveyor belt and fed straight into the hold of the ship.

¹²⁵ Exhibit No. 59.

¹²⁶ Sidelifting trailers or swinglift trailers are self-loading, so there is no need for cranes to lift the container onto the trailer.

¹²⁷ *Transcripts* p. 309.

Moorings

3.122 There are three sets of moorings in Flying Fish Cove, illustrated on figure 3.2. Mooring system C is used for small vessels such as visiting yachts and fuel tankers. Mooring buoys L1 to L4 are independent moorings, each with its own anchors and buoys, located relatively close to the cliff. The main mooring system for Stateships' vessels comprises the buoys A1, A2, B1 and B2. This is an interconnected system of lines and anchors connected by a surface loop of chain, wire cables, linking plates and shackles, fixed to the shore.

3.123 The main mooring system is complex and expensive to maintain. It is crucial that this system be maintained in sound condition because freight operations are totally reliant on the main mooring system. The anchors are in very deep water and the connecting lines are very heavy. The anchor line to Buoy B1 has parted and cannot be recovered because the necessary winching equipment is not available on Christmas Island. The mooring system has been badly damaged in the past in swell conditions.

3.124 The existing mooring system was designed to accommodate the very large bulk ships which visited the port prior to the closure of high grade phosphate mining operations. The ships now calling at Christmas Island are smaller ships — with approximately half the tonnage capacity. The main mooring system is being redesigned to reduce the number of buoys from four to two. At the same time, consideration is being given to replacing the wire moorings with a synthetic material of longer lifespan. The wire rope lines have a lifespan of up to six years, but must be replaced at least every five years to avoid losses. Synthetic materials under consideration are initially more costly but need not be replaced as often.¹²⁸ At the time of writing, an engineering consultant was about to present the new design for the main mooring system and materials specialists would then be consulted.

3.125 Commonwealth funding for the new mooring system has already been approved and installation is scheduled for April 1995.¹²⁹

¹²⁸ *Transcripts* p. 340.

¹²⁹ *Transcripts* pp. 278 & 930. Exhibit No. 80.

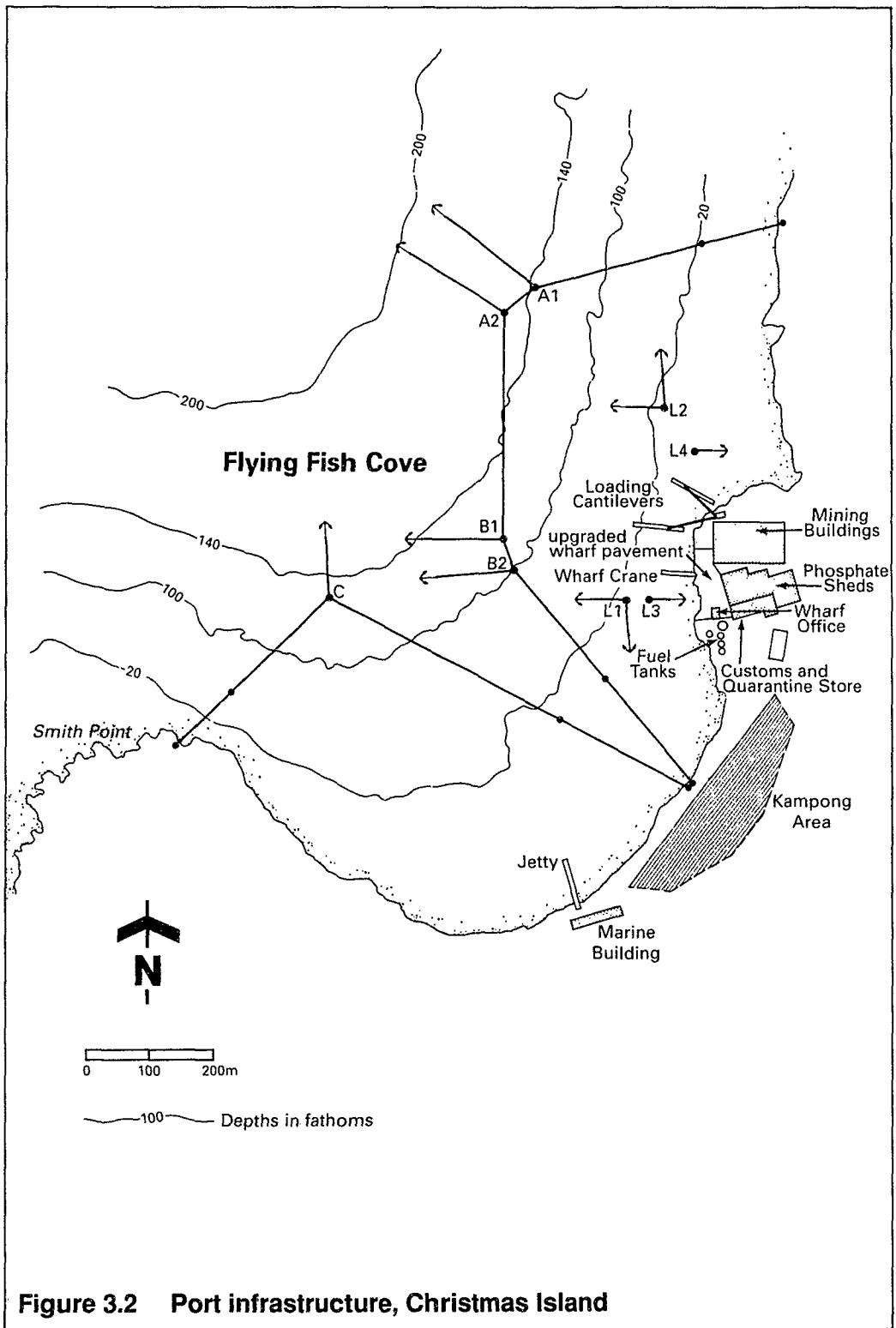


Figure 3.2 Port infrastructure, Christmas Island

3.126 Mr David Scott, General Secretary of the Union of Christmas Island Workers observed that, with the existing mooring system, marine workers were required to go to sea in dangerous swell conditions to loose ships from the moorings.¹³⁰ The Union requested that the system be redesigned to allow ships to be released from the shore.

3.127 The Christmas Island Harbourmaster, Captain Neil McGovern, pointed out that, in an open roadstead port with limited security to check entry onto the wharf, any system allowing ships to be released from the shore would carry an unacceptably high risk of an accident. Captain McGovern noted that, in extreme conditions, a ship could release itself by cutting its mooring ropes.

3.128 The Committee believes that there is a need for the maritime workers to be consulted in the design of the mooring system, so that their concerns can be taken into account – if not by changes in the design, then by agreement as to the sea conditions under which workers will not be required to go out to sea to release ships.

RECOMMENDATION 6

3.129 The Committee recommends that marine workers on Christmas Island and the Union of Christmas Island Workers be consulted in relation to the proposed upgrade of the main mooring system.

Barges

3.130 When the Committee visited Christmas Island in November 1993, there were five motorised barges at Christmas Island, at least one of which was leaking. These barges were not large enough to carry 20 foot containers individually. Two barges were lashed together with a steel plate and a considerable degree of skill was required on the part of the barge operators to manoeuvre the tandem barges carrying a container to the wharf. The Committee agreed that this system was dangerous and totally inadequate.

3.131 A tender was let to Pro Marine,¹³¹ a Victorian company, for the manufacture and delivery of two new aluminium barges by December 1994.¹³² The specifications for the barges required that each barge be able to carry a fully loaded standard 20 foot container.¹³³ The barges are also suitable for the carriage of break

¹³⁰ *Transcripts* p. 645.

¹³¹ *Transcripts* p. 929.

¹³² Commissioning trials for the barges took place in Port Phillip Bay in October 1994 and the barges were to be delivered to Christmas Island in November 1994 for immediate service. Exhibit No. 80.

¹³³ Exhibit No. 26.

bulk freight. The barges were purchased at a total cost of \$847 657¹³⁴ and it was expected that this amount would be entirely recouped from savings in maintenance costs within five years.¹³⁵

3.132 The Committee was assured that there had been considerable negotiation with the barge operators prior to the tender document being put out and that the marine workforce was happy with the purchase.¹³⁶

3.133 However, Mr David Scott, General Secretary of the Union of Christmas Island Workers, suggested in evidence that the new barges might not be strong enough to withstand sea conditions at Christmas Island.¹³⁷

3.134 The Committee was informed that the specifications for the barges required aluminium rather than steel construction, principally because of the limited lifting capacity of the gantry crane on the jetty which must lift the barges out of the water.¹³⁸ The new barges were intended to be of lighter construction than the old barges.¹³⁹ The Committee explicitly sought assurances that the barges were rated to perform safely in the sea conditions prevailing at Christmas Island and was informed that the tender documents required the barges to meet the Australian standards for survey.¹⁴⁰

3.135 The Committee is aware that there was an urgent need for upgrading the freight handling equipment at Christmas Island. The old barges were unsuitable for container handling, required excessive costly maintenance and did not meet basic safety regulations. However, the Committee is concerned that it was given limited information about the purchase of the barges. The significant information provided was specifically requested by the Committee – generally at public hearings.

3.136 The Committee notes that its consideration of freight handling options involving the use of amphibious landing craft or hovercraft at Christmas Island was precluded by DEST's decision to purchase the aluminium barges.¹⁴¹

¹³⁴ Exhibit No. 74.

¹³⁵ *Transcripts* p. 276.

¹³⁶ *Transcripts* p. 344.

¹³⁷ *Transcripts* p. 645.

¹³⁸ *Transcripts* p. 343.

¹³⁹ *Transcripts* p. 275.

¹⁴⁰ *Transcripts* p. 277.

¹⁴¹ The Committee considers amphibious landing vessels and hovercraft in more detail in Chapter 4, in relation to freight handling on the Cocos (Keeling) Islands.

Jetty and Marine Building

3.137 The jetty and gantry crane were not intended to handle freight. The gantry crane lifts the barges out of the water onto the jetty for repairs and storage in the Marine Building. These facilities are scheduled to be repaired and upgraded under the Rebuilding Program.

- The gantry crane will be upgraded to 30 tonnes. This work was to commence in December 1994 for completion towards the end of January 1995 to allow the gantry crane to land freight containers for at least one Stateships' voyage while the main wharf is under repair.¹⁴²
- The repair of the jetty superstructure is scheduled to be undertaken from December 1994 to February/March 1995.
- The repair and strengthening of the jetty substructure is scheduled to be undertaken in the 1996–97 financial year.
- The Marine Building is programmed for completion in June 1995.

3.138 The Harbourmaster on Christmas Island, Captain Neil McGovern, submitted that the Marine Building had been condemned by Comcare and that the marine workforce was required to vacate the building by the first week in September 1994.¹⁴³ The Committee sought urgent advice on this issue from DEST and was advised that a temporary building, approved by Comcare, was provided in September 1994 and that the refurbishment of the Marine Building would be expedited for completion by the end of June 1995.

Wharf crane

3.139 A new wharf crane, rated to lift fully loaded 20 foot shipping containers was installed in early 1994, as part of the Rebuilding Program, at a cost of \$3.63 million for the crane and associated works.¹⁴⁴ The former manager of Christmas Island Utilities, Mr Bryn Martin, reported that the new crane was capable of lifting 25 tonnes at the same rate as if it was lifting 5 tonnes and that the speed of lifting containers off the barges onto the wharf had increased dramatically.¹⁴⁵

¹⁴² Exhibit No. 80. The swell season could cause delays to this timetable. DEST noted that the maximum capacity of the upgraded gantry crane would not be utilised until Stage Two of the jetty refurbishment, which is scheduled for 1996–97.

¹⁴³ *Submissions* p. 1035.

¹⁴⁴ *Transcripts* p. 7.

¹⁴⁵ *Transcripts* p. 339.

Wharf facilities

3.140 A number of serious deficiencies in relation to the wharf at Flying Fish Cove were brought to the Committee's attention, namely:

- the sea erosion of the cliff which forms the sea face of the wharf area;
- the poor condition of the wharf pavement and the need for upgrading the pavement to support the wheel loads of heavy forklifts and trailers;
- the limited space on the wharf for moving containers and the limited capacity of forklifts and trailers to move the containers quickly; and
- the lack of facilities for customs and quarantine inspections.

3.141 The Committee understands that most of these shortcomings will be addressed in Stage One of the Rebuilding Program.¹⁴⁶ An allocation of over \$7 million has been made for the upgrading of the wharf and wharf facilities, including installation of the crane.¹⁴⁷ At the time of writing, the tender for the laying of the new wharf pavement had just been let to Fletchers Australia for over \$1 million.

3.142 Construction of the store for customs and quarantine purposes, and other wharf offices are scheduled for completion in 1995–96.¹⁴⁸

Quarantine facilities

3.143 When the Committee visited Christmas Island in November 1993, the Committee was informed that there were no facilities for quarantine inspections on the wharf. Officers from ANCA deconsolidated those containers likely to pose a quarantine threat on a tarpaulin on the wharf.

3.144 The Committee was particularly concerned about the inadequacy of the quarantine regime on Christmas Island given the importance of Christmas Island wildlife and the fact that the largest part of Christmas Island is a National Park.

3.145 ANCA submitted that the quarantine regime and facilities for inspection of incoming containers to Christmas Island were entirely inadequate and had resulted in the introduction of pest species to Christmas Island. Giant African Snail, Asian Wolf Snake and Oriental Fruit Fly were believed to have come to Christmas Island in freight shipments and had escaped to colonise the rainforest, perhaps because of inadequate inspection and treatment of containerised freight. Redback spiders were discovered in

¹⁴⁶ The repair of the sea wall is programmed for completion in Stage Two of the Rebuilding Program.

¹⁴⁷ *Transcripts* p. 7.

¹⁴⁸ Exhibit No. 80.

a shipment of timber from mainland Australia in August 1993. Rotten and insect-infested goods were reported in a shipment from Singapore in September 1993.¹⁴⁹

3.146 The Committee took evidence from the Australian Quarantine and Inspection Service (AQIS), which had conducted a joint inquiry with DEST into quarantine barrier arrangements for Christmas Island in 1993. Mr Dennis Ayliffe, a member of the inquiry team, told the Committee that,

The [quarantine] situation on Christmas when we visited there in June last year was not good from the point of view of clearance of cargoes coming off vessels. It was quite uncontrolled and we made some strong recommendations in our report that there should be an area put aside on the wharf for all containers to be put into a bond type of situation and for their unloading to be strictly controlled either by a quarantine officer or a police officer or whoever. Also, for fumigation facilities to be provided on the island and for a hardstanding area for wash down purposes.¹⁵⁰

3.147 The Committee was provided with the report of the 1993 inquiry team¹⁵¹ and also the follow-up report prepared in early 1994 by a Senior Inspector from the West Australian Quarantine and Inspection Service.¹⁵² The Committee understands that a permanent quarantine officer has now been stationed on Christmas Island to implement the recommendations made in these reports.¹⁵³ The Committee is satisfied that the serious inadequacies of the quarantine regime on Christmas Island are receiving attention.

3.148 The Committee's main concern is to ensure that freight handling infrastructure incorporates quarantine requirements. The Committee was informed that Stage One of the Rebuilding Program provides for the installation of a washdown pad for quarantine inspections. The washdown pad will be provided in conjunction with the laying of the new wharf pavement, for which the tender was let in September 1994. The construction of secure storage space for customs and quarantine inspections is programmed for completion in 1995–96. The customs/quarantine store will be located in the old phosphate shed as indicated in figure 3.2.

¹⁴⁹ Exhibit No. 7.

¹⁵⁰ *Transcripts* p. 87.

¹⁵¹ Exhibit No. 17.

¹⁵² *Submissions* pp. 692–735.

¹⁵³ *Transcripts* p. 342.

Smith Point fuel facility

3.149 The fuel tank farm on Christmas Island as shown in figure 3.2, is located adjacent to the wharf at Flying Fish Cove. It is planned that the major fuel discharge facility at Christmas Island in the future will be Smith Point. Fuel for the mine is already discharged at Smith Point. Tankers moor at sea and fuel is discharged through floating fuel lines into the shore based pipelines and pumping system. The floating pipeline is towed out to the ship by barge and a land based mobile crane lifts the pipeline onto the cliff at Smith Point.

3.150 The establishment of Smith Point as the principal fuel facility on Christmas Island is in Stage Two of the Rebuilding Program which is yet to be funded and is still some years down the track.¹⁵⁴ The Commonwealth's role in setting up Smith Point includes site preparation and associated minor works, also the demolition of the existing tank farm at Flying Fish Cove.

3.151 In the meantime, the tank farm at Flying Fish Cove would remain, two unused fuel storage tanks would be removed from the area adjacent to the wharf and the petrol storage tanks further down the coastline would be transferred to the wharf area. [Figure 3.2 does not show the two unused fuel tanks, only the five tanks intended to remain at the site. The two tanks to be removed will make way for the wharf office proposed for construction in Stage One of the Rebuilding Program and shown on figure 3.2.]

3.152 The Committee's attention was drawn to the dangerous proximity of the fuel storage facilities to the wharf area where volatile and flammable freight is offloaded.¹⁵⁵ It was also suggested that the removal of the fuel storage tanks adjacent to the wharf would increase the amount of space for freight handling operations.

3.153 The Committee considers that the location of the fuel storage tanks at Flying Fish Cove is potentially dangerous and is certainly inconvenient and unsightly.

3.154 There are other, even more important, reasons for expediting the establishment of Smith Point. Captain Neil McGovern, the Harbourmaster at Christmas Island, urged that the Committee consider the establishment of Smith Point in 1994–95. Captain McGovern considered that the existing fuel discharge facilities at Smith Point were dangerously inadequate in a number of respects.

- The moorings for tankers are too close to the cliff.
- There are no proper access roads to Smith Point.

¹⁵⁴ *Transcripts* pp. 321–22.

¹⁵⁵ *Transcripts* p. 310.

- There is no hardstand for the crane at Smith Point. Powdered chalk is put down over the jagged rocks. The crane is standing at the edge of a cliff 15 metres above the sea on chalk fill and is only restrained by a makeshift rail.
- There is no shelter for marine workers who may be required to attend fuel discharge operations for up to 14 hours.
- The floating pipeline, which is made of sections of hose with steel flanges, has been ripped on occasions when dragged over the limestone on the cliff.¹⁵⁶

3.155 The Committee considers existing arrangements for the unloading and storage of fuel to be unsatisfactory.

RECOMMENDATION 7

3.156 The Committee recommends that the fuel storage tanks at Flying Fish Cove, Christmas Island, be removed. The Committee further recommends that the Smith Point fuel facility be established as soon as possible.

Aviation fuel delivery

3.157 Aviation fuel is delivered to Christmas Island by ship in 200 litre drums. The airport's fuel supply is operated by BP Australia under contract to the Commonwealth. The drums are trucked to the airport and decanted into underground tanks. The empty drums are accumulating on Christmas Island near the airstrip. The drums are an eyesore, immediately capturing the attention of visitors to Christmas Island.

3.158 The Committee understands that BP Australia negotiated with Stateships for the carriage of some 4000 empty drums to Fremantle. However, a quarantine inspector visiting Christmas Island in early 1993 reported that the drums could be infested with Giant African Snail and that the entry of the drums into mainland Australia would pose a potentially expensive problem.¹⁵⁷ Notwithstanding this problem, the Committee considers there is potential for a small enterprise to be established to clean the drums as necessary and to compress the drums for shipment off the Island to be sold as scrap metal.

RECOMMENDATION 8

3.159 The Committee recommends that the stockpile of empty 200 litre drums be removed from Christmas Island.

¹⁵⁶ Exhibit No. 84.

¹⁵⁷ *Submissions* p. 699.

3.160 Ideally, the Committee would consider bulk fuel delivery to be the most efficient method of delivering fuel to Christmas Island. However, if aviation fuel continues to be shipped to Christmas Island in containers, the Committee is of the view that it is preferable for fuel to be shipped to Christmas Island in tank containers. The Cocos (Keeling) Islands already receives fuel in a tank container.

RECOMMENDATION 9

3.161 The Committee recommends that aviation fuel be required to be delivered to Christmas Island in tank containers which are returned to the supplier for re-use.

Operation of port facilities

3.162 The operation of the port facilities at Flying Fish Cove, Christmas Island was examined in detail in 1992, with a view to improving the efficiency of port operations.

3.163 On 5 August 1992, the Christmas Island Administration commissioned Deloitte Ross Tohmatsu consultants to undertake a scoping exercise for the commercialisation, corporatisation and privatisation of the Administration's operations and services. The program of commercialising and divesting those Administration services not normally performed by government was an objective in the *Christmas Island Strategic Plan*.¹⁵⁸

3.164 In relation to marine services, the consultants recommended that the Administration should no longer be involved in running the port and that the port should be run along commercial lines at arm's length from the Administration.¹⁵⁹ It was further recommended that the port operations should be brought into a statutory corporation directed by an independent board, which would also be responsible for the power station and perhaps other Commonwealth functions such as water and sewerage.

3.165 The consultants considered potential efficiency gains could be realised by contracting out stevedoring, ship handling and port facilities maintenance. Alternatively, it was considered that a core marine workforce could be maintained and supplemented by a casual stevedoring pool.

3.166 Subsequently, port operations were rationalised and organised along commercial lines, but remained within the Administration's portfolio of functions – managed by the Christmas Island Utilities division.

¹⁵⁸ Department of the Arts, Sport, Environment and Territories, *Christmas Island Strategic Plan* (1991). Exhibit No. 3.

¹⁵⁹ Deloitte Ross Tohmatsu, *Commercialisation Scoping Project – Final Report* (September 1992). Exhibit No. 50.

3.167 The Marine Branch is responsible for:

- ensuring compliance with statutory requirements for import and export clearance, and for the entry and clearance of ships in the port;
- port safety, maintenance and operation of port facilities – including the barges, wharf, moorings, buoys, cranes and shore to ship communication;
- stevedoring and freight handling operations from supply vessels;
- operation of phosphate loading facilities, including the operation of the barges to carry dust; and
- operation of bulk fuel unloading facilities at Smith Point.

3.168 The Harbourmaster at Christmas Island is also responsible for piloting ships into harbour, for ensuring compliance with maritime regulations and for the general management of the port.

3.169 The port agency function on Christmas Island – responsibility for recording container movements to and from the wharf, deconsolidation and delivery of cargo – is carried out by Christmas Island Maritime Agencies, a privately owned company.

3.170 Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, was critical of the stevedoring and freight handling service run by 'public service employees' on Christmas Island, claiming that it 'is considered by users to be overpriced and inefficient'.¹⁶⁰ The Committee also heard that industrial disputes between the port management and maritime workforce, and the refusal of marine workers to work overtime when ships were in port, contributed to ship delays and demurrage charges.¹⁶¹

3.171 The Administration has been negotiating an Enterprise Agreement with the marine workers that is expected to improve freight handling efficiencies at the port. In April 1994, the Committee was informed by Mr David Scott, General Secretary of the Union of Christmas Island Workers, that the marine workforce consisted of 21 fulltime workers and that it was proposed to reduce the permanent workforce to 16 fulltime positions supplemented by a trained casual pool to work two 12 hour shifts when there is a ship in port.¹⁶² The marine workers are multi-skilled and work flexibly to meet operational requirements. The Committee believes that there should be more scope for the development of Christmas Island marine workers in managerial capacities.

¹⁶⁰ *Transcripts* p. 9.

¹⁶¹ *Transcripts* pp. 370–71.

¹⁶² *Transcripts* pp. 641–43.

3.172 When the port was ill-equipped for modern freight handling operations, it was unlikely that any enterprise would be interested in tendering for the lease of port facilities. However, at the completion of Stage One of the Rebuilding Program, Christmas Island will have a well equipped port facility. The Committee considers it would be appropriate at that time for the Commonwealth to call tenders for the lease and operation of port facilities, with the successful tenderer to meet conditions which would be set down by the Commonwealth.

3.173 Local bodies, including the Christmas Island Shire Council, would have an opportunity to tender for the operation of the port. This would give Christmas Island residents more control over how the port is operated.

3.174 The Committee considers tender specifications should provide that the successful tenderer run the port on a true cost recovery basis, without any hidden Commonwealth subsidy.

RECOMMENDATION 10

3.175 The Committee recommends that tenders be called for the operation of stevedoring and freight handling on Christmas Island from the beginning of 1997, with port facilities to be leased by the Commonwealth to the successful tenderer.

3.176 The Committee considers that the tenderer should be required to set out a formula for the calculation of stevedoring and freight handling charges for the duration of the lease to preclude the abuse of a monopoly position.

Physical constraints

3.177 Any plans for new port infrastructure on Christmas Island must take into account the ocean swell conditions which hit the port in the monsoon season, early in the year.

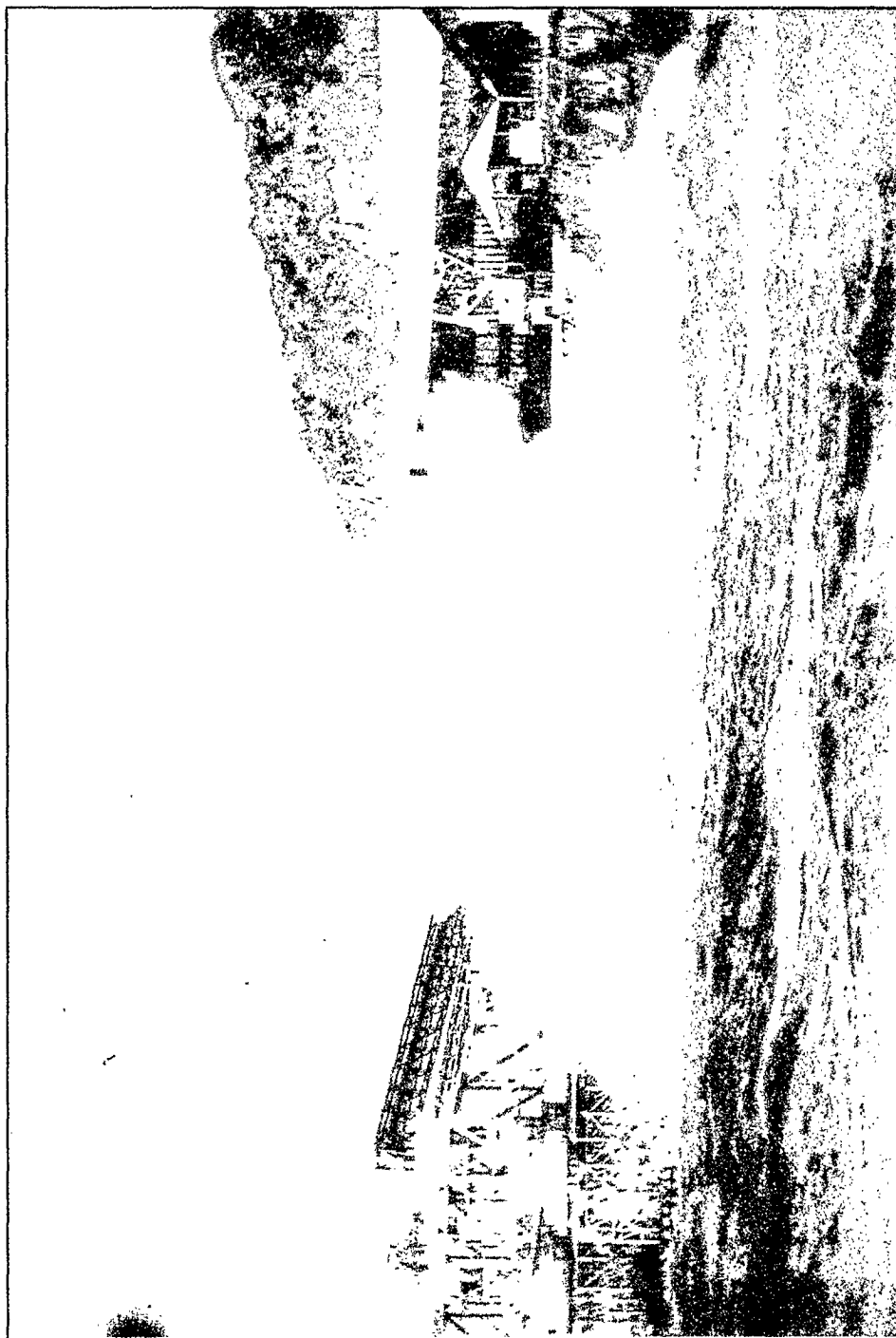


Figure 3.3 Flying Fish Cove, Christmas Island

Source

DEST

3.178 For three to four months a year, usually around December to March, heavy swells can seriously disrupt port operations at Christmas Island. This is the period when tropical low pressures and monsoon troughs are likely to build up – producing heavy rain, strong northerly winds, and northerly swell conditions at sea.¹⁶³ Ships are unable to discharge freight and could sit outside the harbour for days on end waiting for calm seas.¹⁶⁴ In 1994, there were six weeks in January/February when it was impossible for freight handling operations to take place at Flying Fish Cove because of swell conditions.¹⁶⁵

3.179 There is virtually no coastal shelf off Christmas Island. The sea plunges to a depth of 500 metres within 200 metres of the shore. Consequently, there is no opportunity for waves to break offshore and the heavy north westerly swells, when they come, batter the coast at Flying Fish Cove, sometimes causing damage to port infrastructure. A photograph of the wharf at Flying Fish Cove in swell conditions during 1981 is at figure 3.3.

3.180 Mr Bryn Martin, former General Manager of Christmas Island Utilities, gave evidence that the swell would come up quickly, leaving little time for tactical planning of freight handling options.¹⁶⁶

3.181 The Harbourmaster, Captain Neil McGovern, pointed out that the new capital purchases and port upgrading under the Rebuilding Program had taken into account the severity of sea and weather conditions possible at Christmas Island and that the requirement for particularly robust equipment had affected the costs of upgrading.¹⁶⁷

3.182 DEST suggested that the rough sea conditions at Christmas Island, together with the relatively small volumes of freight being delivered to Christmas Island, militated

¹⁶³ *Submissions* p. 1034.

¹⁶⁴ Phosphate ships are able to load bulk phosphate from the cantilever in worse conditions than container ships, depending on the direction of the swell. However, bagged phosphate, carried by barge and loaded by ship's crane, cannot be handled in swell conditions. Land based infrastructure similar to the cantilever but designed for unloading containerised freight – for example, a swinging derrick on shore, is not necessarily the answer for freight handling in the swell season. The lifting of containers by shore crane when the ship is rolling could see containers colliding on deck, which would be dangerous and likely to cause damage to cargo.

¹⁶⁵ *Transcripts* p. 349. The Harbourmaster, Captain Neil McGovern, advised that the longest period on record for continuous bad weather affecting shipping at Christmas Island was 52 days. The average number of days per year that Flying Fish Cove is closed because of bad weather is 30, with more than half of these days likely to occur in January and February. *Submissions* p. 1034.

¹⁶⁶ *Transcripts* pp. 345–46.

¹⁶⁷ *Submissions* p. 1035.

in favour of a decision to improve the existing freight handling infrastructure rather than building a new wharf.¹⁶⁸

3.183 DEST said that Australian Construction Services (ACS), Consultant and Project Manager for the Rebuilding Program, had advised that a land backed wharf for Christmas Island was not really an economic proposition.¹⁶⁹ The primary factor in this conclusion was sea conditions at the port during the swell season. Mr Bryn Martin, former General Manager of Christmas Island Utilities, agreed with this conclusion.¹⁷⁰ In evidence, Mr Graham Tresidder, ACS Project Manager, stated that it would be possible to build a land backed RO/RO wharf at Flying Fish Cove, at a cost, but that these facilities would be unusable in swell conditions anyhow.¹⁷¹

3.184 The Committee asked DEST to provide all the technical studies available on wave action and the viability of harbour infrastructure at Flying Fish Cove. Copies of two privately commissioned studies were provided,¹⁷² one looking at the design of a barge landing facility at Flying Fish Cove and the other reporting on model testing of the design. These studies were based on wave data collected in open seas, since no reliable wave data was available for Christmas Island. The model testing demonstrated that a rock armoured barge landing ramp at Flying Fish Cove could be damaged by overtopping waves in the swell season. Eventually, the barge landing ramp proposal was abandoned. The Committee was told that some studies on wave climate and sea conditions had been carried out by ACS prior to the installation of the new wharf crane. However, details of these studies were not provided.¹⁷³

3.185 The Committee also asked about alternative port sites on Christmas Island, where freight handling operations would be sheltered from ocean swells in the monsoon season.

3.186 There had been a secondary landing site at Waterfall, on the opposite side of the Island to Flying Fish Cove and protected from north west swells. However, the casino/resort has been built at Waterfall, restricting access to the shore for heavy freight vehicles. In any case, Waterfall is subject to swells at certain times of the year and the

¹⁶⁸ *Transcripts* p. 7.

¹⁶⁹ *Transcripts* p. 6.

¹⁷⁰ *Transcripts* p. 348.

¹⁷¹ *Transcripts* p. 317.

¹⁷² • *The Christmas Island Revetment Model Study* carried out by the Port of Melbourne Authority.
• *Christmas Island Wharf Facility Conceptual Design Report* undertaken by Booth and Partners, Perth, for Frank Woodmore P/L.
Submissions pp. 562–632.

¹⁷³ *Transcripts* pp. 317–18.

breakwater of boulders and rock built by Christmas Island Resort Pty Ltd to form a protected swimming beach has been badly damaged by wave action.

3.187 At a public hearing in Perth, Mr Bryn Martin, former General Manager of Christmas Island Utilities, proposed that Ethel Beach could be a future alternative landing site.¹⁷⁴ Mr Martin proposed that a jetty could be built at the beach as a secondary freight handling facility at an estimated cost of \$15 to \$20 million. He proposed that the jetty could also be used for fishing. Ethel Beach is just south of Waterfall and is marked on the map of Christmas Island at figure 3.1. The Christmas Island Harbourmaster, Captain Neil McGovern, also favoured examination of Ethel Beach as a landing site.¹⁷⁵

3.188 However, ANCA advised the Committee that any development of Ethel Beach as a freight handling facility would have serious environmental implications because:

- the reef off Ethel Beach is considered by ANCA to be high quality and provides very good snorkelling and diving conditions; and
- the adjoining shore terrace rainforest is a site for red crab spawning and an easily accessible pocket of nesting colonies for the great frigatebird, red-footed booby, brown booby and the common noddy.

3.189 ANCA further advised that, although Ethel Beach is not within the National Park, it is anticipated that it could be zoned as a conservation/recreation zone under the Christmas Island Master Plan.¹⁷⁶ The Commonwealth Environment Protection Authority pointed out that Ethel Beach and the surrounding marine area is on the Register of the National Estate.¹⁷⁷

3.190 At this stage, the Committee considers an outlay of the order of \$15 to \$20 million for a secondary landing facility, on top of the Commonwealth expenditure on port facilities under the Rebuilding Program, to be unjustified. However, the Committee recognises that the resident population of Christmas Island and tourist numbers are predicted to increase dramatically over the next few decades.

3.191 The Committee believes that consideration of the relative merits of potential secondary landing sites should continue, but that Ethel Beach should not be the focus of further examination as a landing site because of its environmental value and likely tourist appeal.

¹⁷⁴ *Transcripts* p. 347.

¹⁷⁵ *Submissions* p. 1036.

¹⁷⁶ *Submissions* p. 1008.

¹⁷⁷ *Submissions* p. 1014.

Table 3.4 Proposals for new freight handling infrastructure on Christmas Island

<i>Proposed infrastructure</i>	<i>Purpose</i>
Construction of land-backed wharf alongside which a ship could anchor at Flying Fish Cove	<ul style="list-style-type: none"> • To allow containers to be unloaded from the ship onto the wharf using the ship's derricks or crane • Alternatively, to allow containers to be rolled off a ship on trailers • The barge operation would be obsolete
Construction of a jetty off the cliff	<ul style="list-style-type: none"> • To allow a ship to tie up to the jetty and unload by crane – dispensing with the barges
Construction of a rock armoured barge landing ramp off the cliff	<ul style="list-style-type: none"> • To allow RO/RO operations from a landing barge, stern landing vessel or similar craft
Installation of Yokohama fenders on a wharf at Flying Fish Cove	<ul style="list-style-type: none"> • To protect a ship moored at the wharf • The barges could still be required to ferry freight from ship to shore
Purchase of one or two dumb barges to be towed by an ocean going tug	<ul style="list-style-type: none"> • To cut demurrage costs by allowing containers to be quickly unloaded from the ship in swells and towed to a protected beach
Purchase of amphibious vessels or hovercraft	<ul style="list-style-type: none"> • To replace barges, to speed freight handling operations
Floating wharf at Flying Fish Cove	<ul style="list-style-type: none"> • To allow RO/RO operations and eliminate the barge operation
Slipway at Flying Fish Cove	<ul style="list-style-type: none"> • To allow freight to be lifted off by forklift, dispensing with the barge operation

RECOMMENDATION 11

3.192 The Committee recommends that consideration of Ethel Beach as a secondary freight landing site on Christmas Island not proceed.

Options for new port infrastructure

3.193 The planned upgrade of freight handling infrastructure at Flying Fish Cove under the Rebuilding Program will make the existing freight handling system safer and more efficient. However, the inherent inefficiencies associated with multiple handling of freight will remain. A number of options were put to the Committee for new infrastructure, mostly designed to eliminate barge operations and to allow RO/RO operations at Flying Fish Cove.

3.194 These proposals for major long term upgrading of harbour infrastructure on Christmas Island are set out in table 3.4.

3.195 The Committee is concerned that all the above proposals share significant weaknesses.

- It is unclear that any of these options would remedy the most significant problem at Flying Fish Cove which is the shutdown of freight operations in the swell season. Ships would not be able to moor against a land-backed wharf or a jetty in the swell because the rolling movement of the ship would cause damage to the ship's hull, or the infrastructure, or both.
- The cost of construction of any infrastructure off the cliff would be expensive because of the depth of water just off the coastline. It is not clear that suitable rock is available on Christmas Island for this type of construction.
- Any infrastructure could be damaged in the swell season. The cantilever, the mooring system and the existing land-backed wharf have suffered such damage in the past.
- There is limited space for new infrastructure at Flying Fish Cove. Space is even more limited around the shoreline at the jetty. Road access is limited, especially around to the jetty and Marine Building. Moreover, the proximity of the Kampong to all freight handling facilities, as shown in figure 3.2, imposes limits on acceptable amounts of noise and road traffic to be generated by freight handling operations. All these logistical factors restrict the scale of infrastructure that would be appropriate at Flying Fish Cove.¹⁷⁸

¹⁷⁸ For example, Mr Graham Tresidder, Project Manager for ACS on the Rebuilding Program, was 'frightened' at the prospect of manoeuvring a hoverbarge near the Kampong. *Transcripts* p. 331.

- Certain assumptions have been made about the freight ships which will service Christmas Island in the future, yet there is no certainty that specialised RO/RO container vessels would be interested in sailing to Christmas Island.

3.196 The Committee took evidence from Mr Graham Tresidder, ACS Project Manager for the Rebuilding Program, and was advised that,

... the conventional wisdom that the current arrangement for mooring a vessel off [the coast] and bringing the freight to the wharf face, by one means or another, does seem to be the solution for efficient operation.¹⁷⁹

3.197 Mr Michael Hudson-Ansell, Acting General Manager of Stateships, lent some support to this view and observed that unloading by barge at Christmas Island sometimes achieved a faster unloading rate than was achievable when Stateships' vessels were moored beside the wharf in other ports.¹⁸⁰

Conclusions

3.198 The Committee concludes that major freight handling operations on Christmas Island will continue to be located at Flying Fish Cove and that future infrastructure must accommodate the violent wave action known to hit the coast during the monsoon season.

3.199 The Committee considers that the upgrading of the existing freight handling system currently in train will improve freight handling efficiency and safety, subject to the adoption of Recommendations 6 to 10 above.

3.200 The Committee is not convinced there is a pressing need for new port infrastructure at Flying Fish Cove beyond that which is being provided under the Rebuilding Program. This position could need to be reviewed if Stateships' liner service to Christmas Island were to be withdrawn and/or if a sea freight service were to be offered which required other methods of freight handling.

3.201 In any case, the Committee is not in a position to assess the different long term freight handling options proposed for Christmas Island because little, if any, work has been done to establish the technical feasibility of different proposals, let alone the costs involved. The Committee considers that there is a need for preliminary studies to be done on the likely impact of wave action at Christmas Island on fixed infrastructure prior to any further discussion about long range options for freight handling infrastructure for Christmas Island.

¹⁷⁹ *Transcripts* p. 318.

¹⁸⁰ *Transcripts* p. 371.

Air Freight

Existing service

3.202 On 4 September 1993, Ansett Australia (Ansett) commenced a regular public transport (RPT) service to Christmas Island and the Cocos (Keeling) Islands, departing from Perth international airport on Wednesdays and Saturdays. The Wednesday flight flies to the Cocos (Keeling) Islands via Christmas Island and the Saturday flight flies to Christmas Island via the Cocos (Keeling) Islands. There is also a scheduled Ansett flight to Christmas Island out of Port Hedland on alternate Sundays. However, this flight has been cancelled frequently because of low bookings. The aircraft operated by Ansett is a BAe 146 with a capacity of about seventy seats and a freight capacity of 1800 to 2000 kilograms, depending on passenger loads.

3.203 The Ansett service replaced air charter services operated by DEST. There is an arrangement between Ansett and DEST in relation to the Indian Ocean services. DEST has undertaken that all Departmental travel to the Indian Ocean Territories will use the Ansett RPT service. Ansett, for its part, has undertaken that it will block off passenger seats to guarantee the uplift of at least 500 kilograms of perishables to Christmas Island on each flight.¹⁸¹ In fact, Ansett allocates 300 kilograms each for the casino and the supermarket on Christmas Island.¹⁸² Perishable food, medicine and urgently needed engineering parts are typically sent by air freight.

3.204 PT Sempati Air commenced a RPT service from Indonesia to Christmas Island when the casino opened at the end of 1993. Sempati flies the F28 aircraft to Christmas Island.¹⁸³ Since the opening of the casino, return flights to Christmas Island have increased from five per fortnight (all from Perth) to around thirty per fortnight, (the majority originating in Indonesia).¹⁸⁴ In December 1994, it was reported that SilkAir had commenced twice weekly flights between Singapore and Christmas Island.¹⁸⁵

¹⁸¹ *Submissions* p. 103.

¹⁸² *Transcripts* p. 206.

¹⁸³ *Transcripts* p. 559.

¹⁸⁴ Exhibit No. 71.

¹⁸⁵ *The West Australian*, 21 December 1994, p. 5.

3.205 Sempati also flies from Perth to Jakarta, offering the possibility of Australian freight being flown to Christmas Island via Indonesia.¹⁸⁶ Christmas Island Resort Pty Ltd consigns freight on Sempati flights from Perth to Christmas Island via Jakarta. Australia Post has negotiated with Sempati for the carriage of air and surface mail to Christmas Island via Jakarta.

Effectiveness of air freight service

3.206 The major complaint directed at the Ansett service to Christmas Island related to the limited freight capacity of the BAe 146 aircraft and delays in delivery of supplies which are offloaded because of insufficient capacity on the flight to which they were consigned.

3.207 The Committee took evidence on this issue from Ansett. The Committee asked how often and to what extent, freight was offloaded. Ansett noted that this was very much dependent on weather conditions and passenger loadings.

3.208 Ansett made the following points.¹⁸⁷

- Freight is always the 'poor cousin' in the commercial passenger airline industry. Whereas 100 kilograms of freight to Christmas Island will earn Ansett \$475 in revenue, with no guaranteed return freight, a passenger fare is \$640 one way with a likely return fare.
- Freight can be offloaded for a number of reasons – including higher than expected passenger loads (and thus baggage loads), or bad weather – necessitating the carriage of extra fuel.
- There is limited return freight, notwithstanding Ansett has offered very attractive return rates.

¹⁸⁶ The Committee heard that interests on Christmas Island intended to take advantage of Sempati's connecting services. In evidence, Mr David Scott, General Secretary of the Union of Christmas Island Workers, claimed that Sempati would offer return fares of around \$800 flying Perth–Jakarta – Christmas Island – Jakarta–Perth compared to the Ansett return fare from Perth to Christmas Island of around \$1300. *Transcripts* p. 627. In April 1994, Mr Edward Turner, Ansett agent on Christmas Island, pointed out that 50% of tickets then issued by Ansett for travel off the Island to Perth were discounted. In April 1994, return fares of \$711 could be obtained. *Transcripts* p. 661. Mr Herman Gani, Director of Christmas Island Resort Pty Ltd, told the Committee that the casino offers Australian clients a \$750 return fare to Christmas Island on Sempati flights, including a VIP lunch at Jakarta airport. *Transcripts* p. 558.

¹⁸⁷ *Transcripts* pp. 204–15.

- Freight consignments to Christmas Island fluctuate in volume, depending on how long it has been since a ship last delivered freight and how many tourists are on Christmas Island at the time. Peaks in air freight requirements tend to coincide with peaks in passenger numbers.
- Ansett has attempted to obtain commitments of freight to the Sunday flight – at consolidation rates – but businesses will not commit freight in advance and in large volumes. Accordingly, the Sunday flight often has not been viable.
- Costings have been done on providing a dedicated freighter service to the Indian Ocean Territories but it is not justified on current freight volumes.
- Ansett could provide larger aircraft on the route, with more freight capacity, but this could result in fewer services per week.
- The airline is hamstrung in seeking to expand capacity on the route by the limited accommodation available to Ansett for tourist packages.¹⁸⁸

3.209 The Islands Liaison Office, DEST, Perth has initiated round table discussions with Ansett and business interests on Christmas Island to encourage a cooperative resolution of the problems with the air service. Better marketing of Christmas Island as a tourist destination is seen as a possible answer to the problem. If passenger numbers were to increase to a level which justified extra flights, then air freight capacity would increase also.

3.210 The Committee also heard complaints about delays in the arrival of mail on Christmas Island. Ms Cheryl Wright, representing the Christmas Island Shire Council, identified a need for guaranteed air mail deliveries and speedier surface mail deliveries to Christmas Island:

What has got to be looked at really is that it is not just selfish people wanting things the instant they want them or within a week or whatever. Take, for instance, our mail. It is not just letters and communication from Auntie May or whatever; it is a bolt without which your front-end loader cannot operate and, if it is decided that we will leave that off because we have got priority freight to come, then that front-end loader sits until somebody decides the bolt can come up to the island.¹⁸⁹

¹⁸⁸ Ansett advised the Committee in October 1994 that a minimum of three rooms had been allocated by the resort for Ansett tourist packages. This allocation represented six seats on an aircraft for business travellers or tourists. *Submissions* p. 1055.

¹⁸⁹ *Transcripts* p. 550.

3.211 Ms Wright pointed out that air mail and surface mail were cheaper than air freight, particularly because there was no need to obtain a \$30 consignment note for parcels sent by post.¹⁹⁰ For this reason, large volumes of goods were sent by mail – ten to twenty bags of mail would be sent to Christmas Island on each flight – containing such things as replacement parts for machinery. There was a need for these items to arrive within a reasonable time. Ms Wright suggested that delivery of surface mail within a fortnight would satisfy most people.¹⁹¹

3.212 The Committee took evidence from Australia Post on this issue. Australia Post stated that it had negotiated with Sempati for the carriage of both air and surface mail, notwithstanding the cost of sending surface mail with Sempati was more expensive than sending surface mail by sea, because Sempati could provide a far better surface mail service to Christmas Island.¹⁹² Australia Post explained that surface mail to Christmas Island would never be as fast as airmail – because the processing of surface mail on the mainland was slower and because surface mail had a lower priority when Sempati freight uplift capacity was limited.¹⁹³ However, surface mail was not deliberately held back in Jakarta.¹⁹⁴

Cost of air freight service

3.213 Ms Cheryl Wright, operator of a Christmas Island business, submitted that air freight rates to Christmas Island were excessive. Ms Wright consigned a parcel from Sydney to Christmas Island. The freight for the Sydney to Perth leg cost \$30 and the parcel arrived in Perth within 24 hours. The Perth to Christmas Island leg cost \$101.25 and took ten days.¹⁹⁵ Ms Wright was by no means the only witness from Christmas Island to complain about the air freight service. There was general dissatisfaction with the cost and delays in delivery of air freight.

¹⁹⁰ Consignment notes, known also as export consignment notes because the freight is 'exported' to Christmas Island, are fees imposed by the carriers of freight. Consignment notes are not a regulatory requirement for export to the Territories. There was considerable confusion in the course of the Inquiry between export consignment notes and export clearance numbers. The Committee takes up the latter issue in Chapter 6 of this Report. In relation to consignment notes, the Committee observes that this requirement is applied not only to consignees in the external Territories. Consignment notes can also be required for freight transported on the mainland.

¹⁹¹ *Transcripts* p. 535.

¹⁹² *Transcripts* p. 1050.

¹⁹³ *Transcripts* pp. 1051–52.

¹⁹⁴ *Transcripts* p. 1051.

¹⁹⁵ *Submissions* p. 25.

3.214 Ansett air freight charges are shown in table 3.5.

Table 3.5 Ansett air freight rates to the Indian Ocean Territories

<i>Freight Type</i>	<i>Freight rate (\$ per kilo)</i>
Newspapers	2.40
General freight under 500 kilos	4.75
General freight over 500 kilos	3.75
Perishables - 150 to 300 kilos	
less than 150 kilos	4.75
150 to 300 kilos	3.00
Priority freight	9.95

^a A consignment fee of \$30 is paid on all parcels regardless of size or value.

Source Exhibits Nos. 37 & 59.

3.215 DEST pointed out that the air freight rates to the Indian Ocean Territories were not high on a per kilometre basis¹⁹⁶ and that the freight rates to the Indian Ocean Territories compared favourably to freight rates to remote mainland locations, as illustrated in table 3.6.

Table 3.6 General air freight rates from Perth to remote Australian locations

<i>ex-Perth (next available flight)</i>	<i>Under 500 kilos (\$ per kilo)</i>	<i>Consignment Fee (\$ per parcel)</i>
Indian Ocean Territories	4.75	30.00
Darwin	10.21	60.00
Kununurra	6.80	35.00
Broome	5.92	35.00

Source Submissions p. 338.

¹⁹⁶ Submissions p. 329.

3.216 Then again, it could be argued that the DEST comparisons do not give the complete picture either. Remote mainland locations are serviced by road transport as well as, or instead of, sea transport. Many perishable items which must be sent by air freight to Christmas Island would not be sent air freight on the mainland. It seems improbable that mainlanders would airfreight most of their vegetables. Moreover, there is a question as to whether it is fair to use base rates for air freight to the Indian Ocean Territories as the basis for comparison. Residents of the Indian Ocean Territories claimed that it was necessary to consign freight at premium rates (that is, \$9.95 per kilo) to be assured of delivery on the next flight, since freight capacity on Ansett flights is extremely limited. The Committee asked what proportions of freight to the Indian Ocean Territories were sent at premium and base rates,¹⁹⁷ but was advised that data was not collected in this way.¹⁹⁸

Future options

3.217 Ansett is committed to providing the existing air service to the Indian Ocean Territories until the beginning of September 1996.¹⁹⁹ The only other expression of interest in air freight services received by the Committee was a preliminary proposal by CBG Farrell for two round trips per week out of Perth using Douglas Swing tail aircraft in whatever passenger/freight configuration was desired.²⁰⁰ No freight rate estimates were given for this proposal.

3.218 Ansett observed that there was insufficient business to support competing operators on the Indian Ocean route.²⁰¹ In this regard, DEST patronage of Ansett effectively gives the company a monopoly on the route for the term of the arrangement. This point was raised by the Union of Christmas Island Workers.²⁰²

3.219 However, the Sempati connecting services between the Australian mainland, Jakarta, and Christmas Island now provide an air freight alternative.

¹⁹⁷ *Transcripts* p. 14.

¹⁹⁸ *Submissions* p. 559.

¹⁹⁹ *Transcripts* p. 197.

²⁰⁰ *Submissions* pp. 14–16.

²⁰¹ *Transcripts* p. 212.

²⁰² *Submissions* p. 765.

Conclusions

3.220 The Committee's Terms of Reference require it to report on the effectiveness and cost of freight services having regard to commercial considerations in servicing remote localities. In relation to air services, the Committee notes that Christmas Island is remote and that there is limited passenger traffic partly due to limited accommodation available on Christmas Island and partly due to the limited recreational activities for tourists. The Committee also notes that demand for air freight fluctuates depending on ship arrivals, number of tourists and other factors. Ansett is operating a commercial operation to the Indian Ocean Territories. It is unreasonable to expect Ansett to fly spare capacity around the Indian Ocean to ensure timely freight deliveries since this would adversely affect the company's operational costs and put pressure on both passenger fares and air freight rates.

3.221 The Committee endorses initiatives by the DEST Islands Liaison Office in Perth to convene round table discussions involving Ansett management and interests on Christmas Island, to promote tourism on Christmas Island as the basis for increased aircraft capacity between mainland Australia and Christmas Island.

Airport facilities

3.222 The Committee sought and received information on the Christmas Island airport and airport terminal. Advice from the Civil Aviation Authority (CAA)²⁰³, the Minister for Defence²⁰⁴ and ACS²⁰⁵ was to the effect that the airport required upgrading.

3.223 The CAA recommended:

- upgrading of runway lights;
- updating obstacle lighting on the western side of the runway; and
- lighting or removing obstacles on the eastern side of the runway (preferably the latter, to reduce windshear).

3.224 The Royal Australian Airforce was interested in the possibilities of upgrading the fuel supply system at the airport, lengthening the airstrip and extending aircraft parking space.

²⁰³ *Submissions* pp. 645–46.

²⁰⁴ *Submissions* p. 672.

²⁰⁵ *Submissions* pp. 976–78.

3.225 The ACS Draft Master Plan for the airport covered all these issues but also recommended clearing works to the north and south of the runway. Approval was sought from the Commonwealth Environment Protection Authority for clearing works on Headridge Hill.

3.226 A key reason for much of this work was to allow night operations at Christmas Island airport. In April 1994, Mr Herman Gani, Director of Christmas Island Resort Pty Ltd, indicated the frustration of casino management at the lack of progress to upgrade the airport for night landings.

I have been waiting for [night landings] for ages – nine months already. We were told, 'It is coming, it is coming,' but I do not know when we can really have night landings. I request the help of the committee on it ...

Many of our customers sometimes decide to come at 8 o'clock in the evening. For the time being we tell them, 'Sorry, we cannot,' because the latest landing on the island is 6.15. ...

... It is being ping-ponged [between various government authorities].²⁰⁶

3.227 At the end of the Inquiry, the Committee was informed that night landings had commenced. The forest areas of Headridge Hill had been removed following approval from ANCA and the Commonwealth Environment Protection Authority. Airport and obstacle lighting had been upgraded to CAA requirements. Approval was being sought for further upgrading of the airport – including the extension of the runway – to comply with CAA requirements for landings of larger aircraft up to B737 size.²⁰⁷

3.228 On the Committee's orientation visit to Christmas Island, it was glaringly apparent that the freight handling infrastructure at the airport terminal was inadequate, and that the old terminal was a poor gateway to Australia for the many overseas tourists expected to visit Christmas Island.

3.229 In April 1994 the Committee was informed by DEST that the construction of the new terminal building had commenced and was expected to be finished no later than September 1994. The Committee was assured that the work on the new terminal would take into account airport security and safety, passenger comfort, baggage and cargo handling, and immigration/quarantine controls.²⁰⁸

²⁰⁶ *Transcripts* pp. 564–65.

²⁰⁷ Exhibit No. 80.

²⁰⁸ *Submissions* p. 690.

3.230 The Committee has since been informed that the new terminal opened on 4 November 1994.²⁰⁹ Some minor works – such as the replacement of glass panels and doors that did not comply with Australian standards and the provision of fencing to Department of Transport specifications – were outstanding at the time of writing.

3.231 The new terminal was financed by Christmas Island Resort Pty Ltd, at an approximate cost of \$800 000²¹⁰ but remains the property of the Commonwealth.²¹¹ The Committee understands that it is likely management of the airport will eventually be handed over to the Christmas Island Shire Council.²¹²

3.232 The Committee is satisfied that the serious shortcomings of airport infrastructure on Christmas Island have been, or are being, remedied.

²⁰⁹ Exhibit No. 80.

²¹⁰ *Transcripts* p. 940.

²¹¹ *Transcripts* p. 12.

²¹² Exhibit No. 6.

Chapter 4 The Cocos (Keeling) Islands

Background

Introduction

4.1 The Cocos (Keeling) Islands are located 2768 kilometres north west of Perth and 3695 kilometres west of Darwin, in the Indian Ocean. The layout of the islands in the Cocos (Keeling) group is shown on figure 4.1.

4.2 The Cocos (Keeling) Islands comprise twenty-seven low-lying coral islands forming two atolls with a total land area of only 14 square kilometres. The northernmost atoll is a single uninhabited island, North Keeling, which abounds with wildlife common to all the islands in the group – frigatebirds, boobies, muttonbirds and land crabs. The main atoll, South Keeling, is a horseshoe-shaped chain of islands encircling a lagoon. The islands in the main atoll have steep shingle beaches to seaward and gently sloping sandy beaches on the sheltered lagoon side. Although neither of the atolls has fresh surface water, shallow wells give access to natural reservoirs of fresh groundwater formed by rainfall seeping into the porous soil. All the islands support coconut palms.

4.3 Only two of the islands in the main atoll – Home and West Islands – are inhabited. West Island is about ten kilometres long and is the largest. Commonwealth facilities, including the administration areas, airport and animal quarantine station are located on West Island.

4.4 The Cocos Malay community lives on Home Island. The population on Home Island is around 450, predicted to rise to 672 by the year 2025.¹

¹ *Transcripts* p. 476. This estimate was based on a demographic study by Professor Reg Appleyard, University of Western Australia. This study is considered by the Cocos (Keeling) Islands Shire Council to provide conservative estimates of population growth on the Cocos (Keeling) Islands.

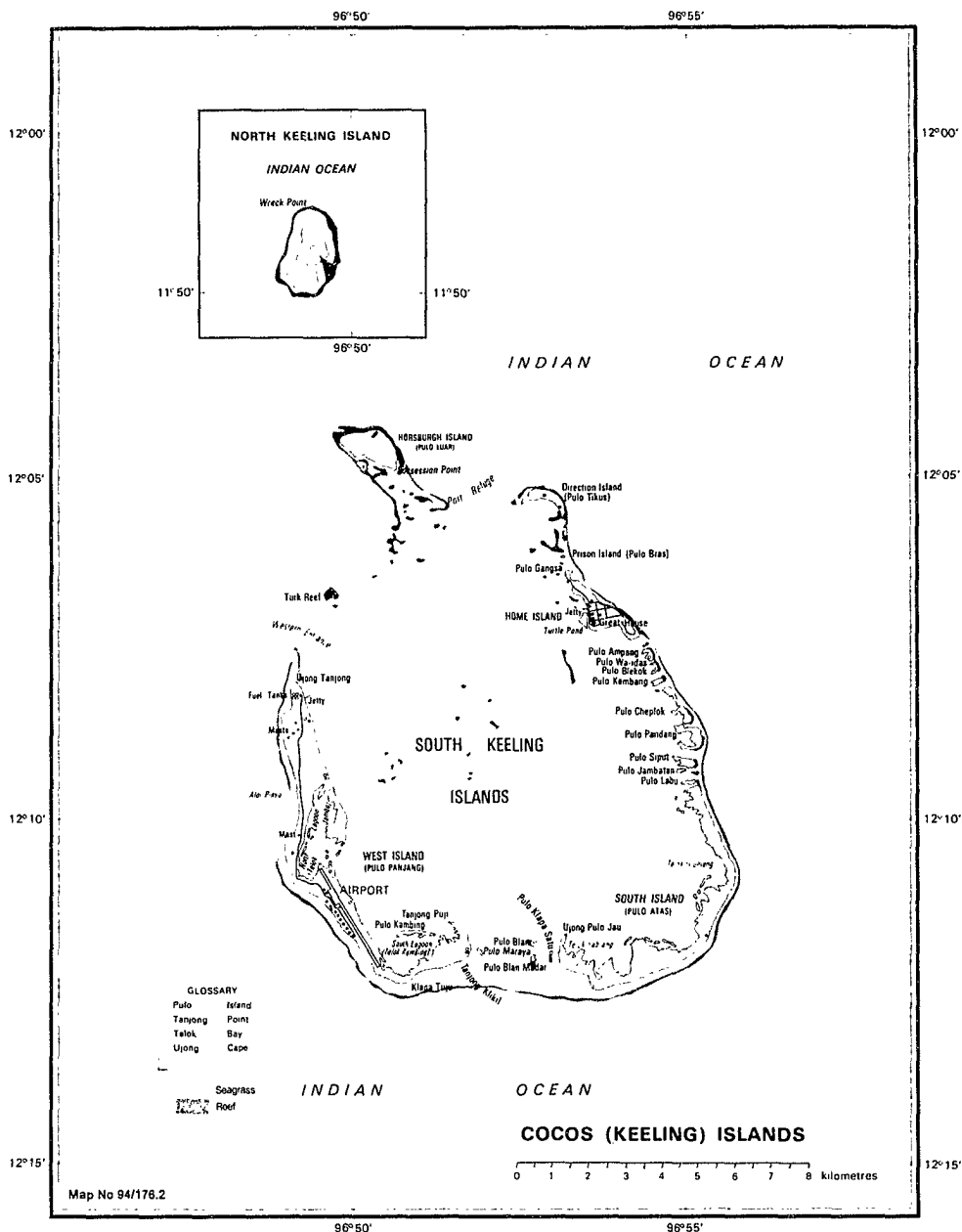


Figure 4.1 The Cocos (Keeling) Islands
Source AUSLIG

4.5 The population of West Island is around 150 and is principally composed of mainland-based employees of various government departments and public service families.² Public service employees are usually on short-term postings of between one and three years. Four Cocos Malay families live on West Island and more Home Island residents could choose to move to West Island in the future if housing was available.³

Commonwealth responsibilities

4.6 Sovereignty over the Islands was transferred from the United Kingdom to Australia with the passage of the *Cocos (Keeling) Islands Act 1955*. The Cocos (Keeling) Islands Council was established in 1979.

4.7 In 1984, in an Act of Self Determination supervised by the United Nations, the Cocos Malay community voted to integrate with Australia. The Cocos Malays became Australian citizens.⁴ In a discussion paper presented to the Cocos Malay community in October 1983, setting out the Act of Self Determination options, the Australian Government noted that, if the Cocos Malays voted for integration, the Australian Government would have an obligation to raise Cocos Malay services and living standards to Australian levels.

4.8 In March 1991, the Australian Prime Minister, the Chair of the Cocos (Keeling) Islands Council and the Chair of the Cocos Islands Co-operative Society Ltd signed a *Memorandum of Understanding*.⁵ This document became the blueprint for development of the Cocos (Keeling) Islands to 1994, providing for the introduction of a West Australian legal regime and outlining a program of capital works to be undertaken by the Commonwealth to upgrade housing, water supplies, electricity generation, roads and other infrastructure.

4.9 The Cocos (Keeling) Islands Shire Council (the Council) is now elected under the *Local Government Act 1960 (WA)(CKI)* and is responsible for local government functions on the Cocos (Keeling) Islands. The Commonwealth Government has transferred to the Council ownership of all of the land which was purchased by the Commonwealth Government from the Clunies-Ross family in 1978. The former Clunies-Ross mansion, Oceania House, is currently owned by the Commonwealth but it is proposed to transfer Oceania House to the Council in trust under a 99 year lease (with

² *Submissions* p. 62.

³ *Transcripts* p. 484.

⁴ Cocos residents are enrolled to vote in the federal electorate of Northern Territory.

⁵ *Memorandum of Understanding relating to the achievement of mainland equivalent standards and levels of services on the Cocos (Keeling) Islands*, signed by the Hon R J L Hawke (Prime Minister), Mr Haji Wahin bin Bynic (Chairman of the Council) and Mr Parson bin Yapat (Chairman of the Co-operative) on 7 March 1991. Exhibit No. 18.

a 99 year option).⁶ North Keeling Island is owned by the Council but leased to the Australian Nature Conservation Agency (ANCA).

4.10 The Commonwealth retains control of some facilities on West Island – the airstrip and RAAF facilities, the quarantine station and Lot 1 (Commonwealth offices).

4.11 The Council's ownership of land is from the high water mark. This means the jetties and other port facilities are the responsibility of the Commonwealth. The Commonwealth is also responsible for other infrastructure, including water, sewerage and electricity. The Administrator is the Commonwealth's representative on the Cocos (Keeling) Islands, reporting to the Minister responsible for the external Territories.

4.12 Services such as health and education are provided by West Australian agencies on behalf of the Commonwealth.

Cocos Islands Co-operative Society Ltd

4.13 The Cocos Islands Co-operative Society (the Co-operative) is the major commercial enterprise on the Cocos (Keeling) Islands and is owned by members of the Cocos Malay community. There is a high level of unemployment in the Cocos (Keeling) Islands, estimated at 30%.⁷ The Co-operative, with 34 employees, is the major employer of permanent residents on the Cocos (Keeling) Islands.⁸

4.14 The Co-operative was established in 1979 under the *Singapore Cooperatives Ordinance 1955* to operate the former business interests of the Clunies-Ross family on the Cocos (Keeling) Islands.⁹ The Commonwealth had intended to liquidate the Co-operative in 1984 but was unable to do so under the Singaporean articles of association.¹⁰ In 1992, shares in the Co-operative were allocated to workers in proportion to the number of years they had been employed over the period 1 July 1979 to 30 June 1992.¹¹ The 'Co-operative' is now, in effect, a limited liability company. The Co-operative has not been reconstituted under the new legal regime,

⁶ *Transcripts* p. 475.

⁷ *Submissions* p. 65.

⁸ *Submissions* p. 64.

⁹ *Transcripts* pp. 505 & 509.

¹⁰ *Transcripts* p. 513.

¹¹ *Transcripts* p. 507.

reportedly because this has not been accorded a high priority in the Territories law reform process.¹²

4.15 There is some overlap of office bearers between the Council and the Co-operative. For example, at the time of this Inquiry, the Shire President was the General Manager of the Co-operative. The Committee was provided with documentation indicating that the Council had sought a blanket exemption from section 174 of the *Local Government Act 1960 (WA) (CKI)* for matters relating to the Co-operative. Section 174 deals with voting by Councillors on matters in which they have a pecuniary interest. The Parliamentary Secretary was not prepared to grant Councillors a blanket exemption from this provision, but granted a special exemption – for the Chairman of the Co-operative's management committee, Mr Amat Noor bin Anthoney – to assist the Council to maintain a quorum. The WA Department of Local Government had advised that Councillors' levels of shareholdings in the Co-operative did not constitute a pecuniary interest for the purposes of the Local Government Act, but that the employment of some Councillors by the Co-operative did create a potential conflict of interest¹³. Councillors with a pecuniary interest in the Co-operative must declare that interest when matters concerning the Co-operative arise. The other councillors then decide who should participate in discussions and vote.

4.16 The Co-operative owns and/or operates the major commercial interests on the Cocos (Keeling) Islands, including all tourist accommodation and the supermarkets on Home Island and West Island.¹⁴ The Co-operative is responsible for inter-island transport using ferries leased from the Commonwealth. The Co-operative has been appointed agent by the Western Australia Coastal Shipping Commission (trading as Stateships) in relation to sea freight and by Ansett Australia (Ansett) in relation to air freight on the Cocos (Keeling) Islands.

4.17 In 1989, the Co-operative won the tender to provide stevedoring services for the Cocos (Keeling) Islands under the Joint Island Supply System (JISS) arranged by the Commonwealth. Income from stevedoring and freight handling remains a major source of revenue for the Co-operative. In theory, the Co-operative no longer has exclusive stevedoring rights but, in practice, the Co-operative has remained the sole operator of stevedoring and sea freight handling on the Cocos (Keeling) Islands. The Co-operative takes more than half the containers delivered to the Cocos (Keeling)

¹² *Transcripts* p. 505. The Co-operative is registered with the Australian Securities Commission as a foreign company – Australian Registered Body Number 009 474 462. The Committee noted that the Co-operative's early submissions to this Inquiry were on letterhead that bore an ostensible Australian Companies Number. The Committee notes that the Co-operative has since removed the misleading annotation from its letterhead.

¹³ *Submissions* p. 964.

¹⁴ The Co-operative operates facilities on West Island, including West Island Lodge, the mess and the supermarket under the West Island Facilities Agreement between the Co-operative and the Commonwealth, first negotiated in 1983.

Islands and has stated in evidence that it will continue to handle its own freight.¹⁵ Given that the total volume of freight delivered to the Cocos (Keeling) Islands is relatively small, a rival stevedoring operation could find it difficult to survive. The Co-operative owns much of the equipment used in freight handling operations – including the landing craft, *Biar Berjaya*, forklifts, trucks and trailers. The Co-operative has said it will not lease its equipment to other parties.¹⁶

4.18 There were criticisms of the cost and inefficiency of the Co-operative's freight handling service.¹⁷ The Committee is of the view that it is preferable for Commonwealth infrastructure in the external Territories to be leased and operated by local enterprise. The Committee recommends, for example, that tenders be called for the operation of the upgraded port facilities at Christmas Island. (See RECOMMENDATION 10). The Committee would like to have been in a position to make a similar recommendation in relation to stevedoring and freight handling on the Cocos (Keeling) Islands. However, the Committee could not see that there was any real potential, at present, for competitive tenders to be called for freight handling on the Cocos (Keeling) Islands.

4.19 The Committee also received complaints about the impact of the Co-operative's stevedoring and freight handling monopoly on other businesses.

4.20 The Co-operative determines the priority for unloading and delivery of containers without input from other consignees. Asset Services recommended the establishment of a council of shippers to determine freight delivery priorities.¹⁸ The order of delivery of containers affects the cost of delivery to particular clients. The Committee examined the Co-operative's charges for freight handling on the Cocos (Keeling) Islands. Labour rates, equipment hire charges and all other costs incurred in the process of unloading a particular container are passed on to the consignee of that container. This means that consignees on West Island who receive their containers first by direct delivery from the ship pay less than those who must wait for their freight to be transhipped through Home Island and handled multiple times in the process. For example, the Shell tank container is always accorded first priority for unloading from the ship and immediate delivery to West Island on the landing barge.¹⁹ Yet the Co-operative charges Shell less for priority delivery of hazardous freight than it charges a client whose standard container of dry goods is unloaded onto the dumb barge and

¹⁵ *Transcripts* p. 518, *Submissions* p. 508.

¹⁶ *Transcripts* pp. 517–18.

¹⁷ *Submissions* pp. 2–3 & 665–66.

¹⁸ *Submissions* p. 666.

¹⁹ The Shell supertanker container incurs around \$6000 container demurrage if it stays over a shipping cycle. For this reason, it is unloaded first, emptied and returned before the ship sails. *Transcripts* p. 519.

taken to Home Island, where it could sit on the dumb barge for several days waiting to be unloaded before being transhipped to West Island.

4.21 The Committee is of the view that this form of cost recovery is not an equitable method of charging for stevedoring and freight delivery and, moreover, provides no incentive to improve freight handling efficiencies. It is also significant that, since the Co-operative's freezer and refrigerated containers are always amongst those delivered to West Island direct, the Co-operative is financially advantaged relative to some other consignees.

4.22 The Co-operative confirmed that no premium was payable for expedited delivery.²⁰ The Co-operative submitted that the freight taken directly to West Island was petrol, food and mail and that any premium placed on these items would further increase the cost of living on the Cocos (Keeling) Islands.

4.23 Mr Neil Robinson, Shipping Manager, Total Western Shipping, a Perth-based company which consolidates freight containers and arranges shipping and delivery for clients on the Cocos (Keeling) Islands, expressed concern that the vertical integration of the Co-operative and in particular, its status as port agent and stevedore on the Cocos (Keeling) Islands, allowed it to absorb certain freight handling charges that are levied on other shippers.²¹

4.24 The Committee took evidence about the economic power of the Co-operative on the Cocos (Keeling) Islands, stemming from its vertical integration and economies of scale in a relatively small market. Mr Ron Grant, General Manager of the Co-operative, gave evidence that the Co-operative has sponsored some small business enterprises and provided wholesale discounts to assist some businesses.²² However, other small businesses setting up in competition to the Co-operative, or without the support of the Co-operative, have found it difficult to achieve viability.

4.25 Mrs Carren Richardson, proprietor of the Cocos Coffee Shop and Mrs Dalia Nada, proprietor of the Cocos Indah Restaurant, gave evidence that they were required to buy their stock at retail prices through the Co-operative supermarket and/or to air freight perishable goods, because they were unable to obtain space in the Co-operative's freezer container, which is the only freezer container delivered to the

²⁰ *Submissions* p. 875.

²¹ *Transcripts* pp. 298 & 332–38.

²² *Transcripts* pp. 526–27. For example, the Co-operative had already taken the whitegoods business out of the Co-operative's trading activities, giving the business to a local mechanic.

Cocos (Keeling) Islands.²³ The Co-operative informed the Committee that, when there is spare space in the freezer container prior to departure from Fremantle, the Co-operative fills up the freezer with cartons of sliced bread.²⁴

4.26 In the course of this Inquiry, the Co-operative obtained legal advice that its use of the freezer container did not constitute a restrictive trade practice or restraint of trade [in the legal sense of these terms].²⁵ The Committee was less concerned with determining if there had been illegal conduct and more concerned to establish whether or not the Co-operative, indisputably a powerful player on the Cocos (Keeling) Islands, was acting in the best interests of the community generally.

4.27 The consultancy report prepared for the Cocos Islands Economic Development and Training Committee,²⁶ suggested that the Co-operative could move out of retail activities, operating as a wholesaler on the Cocos (Keeling) Islands. The Committee believes this proposal warrants further examination and that the Co-operative should explore the potential for splitting its retail activities into small businesses which could be operated by permanent residents of the Cocos (Keeling) Islands. The Committee notes that a small business training scheme, funded by the Commonwealth, was introduced on the Cocos (Keeling) Islands in 1994.²⁷

4.28 Tourism has been identified as the major industry to sustain the economy of the Cocos (Keeling) Islands in the future. The Co-operative controls tourist accommodation on the Cocos (Keeling) Islands. The West Island Lodge, operated by the Co-operative, is presently the only tourist accommodation on the Cocos (Keeling) Islands.

4.29 A new tourist resort to be owned and operated by the Co-operative, called Plantation Village Tourist Resort, is planned for West Island. Construction commenced in October 1994. The Committee notes that any other new tourist development would need the approval of the Council which controls the land on the Cocos (Keeling) Islands. There is an issue as to whether or not the Council would now welcome competition for the Co-operative's tourist operations notwithstanding that private operators for tourist ventures on the Cocos (Keeling) Islands have been sought in the past.²⁸

²³ *Transcripts* pp. 448–49. Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, also reported difficulties dealing with the Co-operative in relation to small business ventures he had operated on the Cocos (Keeling) Islands, including problems booking space in the freezer container. *Transcripts* pp. 675–81.

²⁴ *Transcripts* p. 523.

²⁵ *Submissions* pp. 1011–12.

²⁶ Unisearch, *Cocos (Keeling) Islands Development Strategy* (June 1994). Exhibit No. 60.

²⁷ *Transcripts* p. 472.

²⁸ *Transcripts* pp. 474–76.

4.30 This Inquiry did not allow a sufficiently detailed examination of the legal status and operation of the Co-operative. However, the Committee is of the view that these issues need to be examined. The operations of the Co-operative are integral to freight costs on the Cocos (Keeling) Islands, leading the Committee to make the following recommendations.

RECOMMENDATION 12

4.31 The Committee recommends that the Cocos Islands Co-operative Society Ltd be reconstituted under Australian law, as an immediate priority in the Territories law reform process.

RECOMMENDATION 13

4.32 The Committee recommends that the Commonwealth commission an inquiry into the legal status, ownership and economic power of the Cocos Islands Co-operative Society Ltd and its links with the Cocos (Keeling) Islands Shire Council.

Role of the Commonwealth Grants Commission

4.33 The Committee took evidence from the Commonwealth Grants Commission (the Commission). The Commission conducted three inquiries into the Cocos (Keeling) Islands, covering some of the key issues which the Committee must now consider in this Report – such as the need for freight subsidies and upgrading of freight handling equipment.

4.34 The role of the Commission has been to examine strategies for aligning standards of living on the Cocos (Keeling) Islands and the mainland by 1994, to enable the Commonwealth to meet its commitment to the Cocos Malay people. The Commission's *First Report on Cocos (Keeling) Islands Inquiry 1986*²⁹ set out the procedures and methodology to be adopted in future assessments of government services and standards of living in the Cocos (Keeling) Islands compared to the mainland. The Commission found that the Cocos (Keeling) Islands should be compared with similarly remote communities on the mainland.

4.35 In its *Second Report on Cocos (Keeling) Islands Inquiry 1989*, the Commission made a wide-ranging series of recommendations covering many aspects of the standard of living of the Cocos Malay community. [Recommendations to bring wage rates and taxation on the Cocos (Keeling) Islands up to mainland levels were subsequently adopted.]

4.36 The Commission also identified the services and infrastructure which needed to be improved by 1994 – with an emphasis on housing, domestic utilities, health

²⁹ All reports of the Commonwealth Grants Commission on the Cocos (Keeling) Islands have been published by AGPS.

and education facilities. The capital works program was also to include upgrading of the airport terminal and installation of navigational aids. [A new terminal building, providing improved passenger and freight facilities and space for commercial outlets, opened in October 1992.]

4.37 The Commission's *Third Report on Cocos (Keeling) Islands Inquiry 1993* was initially published to meet the reporting deadline of 31 July 1993.³⁰

4.38 Amongst the major findings in the initial Third Report, the Commission reported that, although a great deal had been done since 1984 to improve the level of services for the Cocos Malay people – bringing standards on the Cocos (Keeling) Islands very close to mainland standards – improvements were needed in some areas, including freight handling.

4.39 In 1993, the Commission observed that the Co-operative's freight unloading operations presented occupational health and safety risks as well as environmental dangers – requiring prompt attention. Freight handling was described as 'a mixture of high quality work with good equipment and makeshift operations with inappropriate machinery'.³¹ The wharf and crane facilities on Home Island were found to be old and in need of some repair or replacement. [A new mobile crane was delivered to Home Island in August 1994 and funding for the upgrading of the Home Island jetty has been approved.]

4.40 The Commission discovered that most of the freight delivered to the Cocos (Keeling) Islands was destined for West Island where the jetty could not take shipping containers. Containers had to be manually unloaded onto a beach with the help of graders and tractors. The Commission was of the view that the Department of the Environment, Sport and Territories (DEST) should accept responsibility for the necessary upgrading of freight handling facilities on the Cocos (Keeling) Islands.

4.41 When the Commission reported, DEST was considering the options for future sea freight services to the Cocos (Keeling) Islands and Christmas Island to succeed JISS. The Commission urged DEST to keep in mind that:

- the original commitment to the Cocos Malays regarding standards of living was not restricted to what might be seen as the influence of public goods and freight subsidies had been a very important determinant of the standard of living on the Cocos (Keeling) Islands;

³⁰ Following the release to certain interested parties – including the residents of the Cocos (Keeling) Islands – there was criticism of some of the population/income data on which the Commission's conclusions had been based. In particular, there was a question about the extent to which the loss of the freight subsidy had been offset by higher real income from wages and salaries. A supplementary report was prepared.

³¹ Commonwealth Grants Commission, *Third Report on the Cocos (Keeling) Islands Inquiry 1993* (AGPS, 1993) p. 28. Exhibit No. 16.

- the Cocos (Keeling) Islands community was still heavily reliant on shipping; and
- freight costs continued to have important implications for the cost of living on the Cocos (Keeling) Islands.³²

4.42 The Commission noted that certain benefits to the Cocos Malay community had been removed over the eight or nine years prior to 1993, including subsidised air charter services and the freight subsidy scheme – whereby prices on the Cocos (Keeling) Islands had been subsidised to 'Perth Corner store prices'. These subsidies had been estimated by the Co-operative to have been worth about \$32 per week to the average male employee in 1989. The cost to DEST of the freight subsidy alone for the last three financial years of operation was \$1 055 000 for 1986–87, \$732 000 for 1987–88 and \$618 000 for the nine months to 31 March 1989.³³

4.43 In evidence to the Third Inquiry (1992–93), the Co-operative had estimated that:

- on average, freight costs represented about 34% of purchase prices in its stores at that time;³⁴ and
- the absence of the former freight subsidy cost an average Cocos Malay household at least \$2500 per year in 1992–93 prices.³⁵

4.44 In its initial Third Report, the Commission recommended that consideration be given to restoring the freight subsidy to counter the high cost of living on the Cocos (Keeling) Islands. This initial recommendation was excluded from the Commission's recommendations in the *Third Report on Cocos (Keeling) Islands Inquiry 1993 Supplementary Report*, following claims that the data on which the recommendation had been based was flawed.

4.45 However, in its Supplementary Report the Commission indicated there could be a need for some form of assistance to offset the high cost of living for unemployed and other low-income families. The Commission also recommended an assessment of the adequacy of the Remote Area Allowance and other benefits paid to social security recipients on the Cocos (Keeling) Islands.³⁶

³² Commonwealth Grants Commission, *Third Report*, op.cit., p. 28.

³³ Ibid., pp. 41–44.

³⁴ The Co-operative provided data to this Committee on the freight and retail markups for products sold in the supermarkets on the Cocos (Keeling) Islands. Freight markups for food products ranged from 35% for high value, low volume products like meat to 111% for high volume, low value products like UHT milk. *Submissions* pp. 527–29. This data indicates that freight costs would still represent a significant percentage of retail prices.

³⁵ Commonwealth Grants Commission, *Third Report*, op.cit., p. 45.

³⁶ *Transcripts* p. 183.

4.46 The Committee had discussions with the Commonwealth Grants Commission on the public record following the tabling of the Supplementary Report. These discussions focussed on the standard and cost of living of Cocos residents. The Commission expressed its concern at the lack of reliable data underpinning assessments of living standards on the Cocos (Keeling) Islands.³⁷ The Chairman of the Commission, Mr Charles Rye, made the following observation.

One thing that struck us very forcibly when we were on Cocos was the inadequacy of the records that are kept there. We placed a great deal of stress in our two reports on the need for properly conducted statistical surveys, including demographic surveys to start with but also surveys into the costs of living and other relevant matters. It is quite clear that, despite what you would expect from such a small community, the statistical base for Cocos is really totally inadequate.³⁸

Freight subsidies

4.47 The Committee took a considerable amount of evidence on the need for freight subsidies, or increased remote area allowances, for residents of the Cocos (Keeling) Islands³⁹. The Committee recognises the very real difficulties and expense faced by households in securing an adequate variety of healthy food and sufficient supplies of other necessities.

4.48 However, arguments were put to the Committee that grocery prices alone are not an accurate indicator of the cost of living on the Cocos (Keeling) Islands and should not be used as a justification for subsidies.⁴⁰

4.49 The Committee learned that high freight costs have their greatest impact on those dependent on social security income. The location allowance for a married couple under the Co-operative award amounts to \$6800 per year.⁴¹ By comparison, the Remote Area Allowance for social security recipients is \$30 for a married couple (plus \$7 for each dependent child) per fortnight, which amounts to as little as \$780 per year. The Committee took evidence from the Department of Social Security on this issue and was informed that the Remote Area Allowance '... was never meant to try to offset the higher costs that people might meet in total ...'.⁴²

³⁷ *Transcripts* pp. 180–95.

³⁸ *Transcripts* p. 183.

³⁹ *Submissions* pp. 26 & 29 & 33 & 51.

⁴⁰ *Submissions* pp. 328–29.

⁴¹ *Transcripts* p. 482.

⁴² *Transcripts* p. 271.

4.50 The Committee also took evidence that freight costs were crippling small businesses on the Cocos (Keeling) Islands.⁴³

4.51 The Committee is of the view that there is a need to measure the impact of freight costs on Cocos residents. In 1993, the Commonwealth Grants Commission was not able to make a considered assessment of the need for a freight subsidy on the Cocos (Keeling) Islands because of the lack of reliable data on the costs of living on the Cocos (Keeling) Islands compared to costs of living in remote mainland communities. The Committee regrets that it is no better placed in this regard.

RECOMMENDATION 14

4.52 The Committee recommends that the Australian Bureau of Statistics conducts a survey on the Cocos (Keeling) Islands to allow an assessment of the cost of living of residents on the Cocos (Keeling) Islands as a remote Australian community. The survey should identify, analyse and report on:

- patterns of income and expenditure for households earning wage and/or salary income on the Cocos (Keeling) Islands, broken down to at least three income brackets;
- prices of items in a selected household basket of goods and services on the Cocos (Keeling) Islands;
- the cost of parcel post, fuel, electricity, housing and transport on the Cocos (Keeling) Islands;
- the extent to which the duty-free status of the Cocos (Keeling) Islands affects the cost of living of its residents;
- the extent to which Zone Allowances and Location/District Allowances contribute to household expenses on the Cocos (Keeling) Islands;
- the average weekly income for individuals and families entirely dependent on social security payments on the Cocos (Keeling) Islands;
- the value of subsidised housing and any other benefits extended to social security recipients on the Cocos (Keeling) Islands;
- patterns of household expenditure for social security recipients on the Cocos (Keeling) Islands; and
- the extent to which the Remote Area Allowance paid to social security recipients on the Cocos (Keeling) Islands contributes to household expenses.

⁴³ *Submissions* p. 772.

Freight issues

4.53 The Terms of Reference for this Inquiry direct the Committee's attention to the following issues:

- the effectiveness and cost of **sea** freight to the Cocos (Keeling) Islands;
- the effectiveness and cost of **air** freight to the Cocos (Keeling) Islands;
- the adequacy of freight discharge and handling infrastructure on the Cocos (Keeling) Islands; and
- future options for servicing the Cocos (Keeling) Islands.

4.54 Within these broad areas, the residents of the Cocos (Keeling) Islands identified what they considered to be the highest priorities for overcoming freight problems.

- They want to be compensated for the high cost of freight by **freight subsidies** or other allowances. This issue has been discussed above.
- They want to be assured that there will be a **reliable and regular shipping service** in the future. This appeared to be the most pressing concern. The Shire President, Mr Ron Grant, said:

I would like to see a very firm decision taken on, if possible, the future of shipping services because I think that it is the most critical single thing for the territory.⁴⁴

- They would like **increased air freight capacity** so that consignments are not offloaded.
- They recognise the need for a safer, more efficient and less costly system for **delivering containerised freight to West Island**.

4.55 The Committee considers all these issues in this chapter.

⁴⁴ *Transcripts* p. 499.

Sea Freight

Freight volumes

4.56 In a submission to this Inquiry in late 1993, Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, predicted that freight shipments to the Cocos (Keeling) Islands were likely to fall to pre-1980 levels of around six container loads per month following the completion of the reconstruction program on Home Island.⁴⁵ This was proven accurate at public hearings on the Cocos (Keeling) Islands in April 1994, when the Shire President, Mr Ron Grant, reported a decline in the volume of freight delivered to the Cocos (Keeling) Islands, 'We are now seeing ship loads of between nine and ten containers [every six weeks]'.⁴⁶

4.57 The Co-operative, which is the port agent on the Cocos (Keeling) Islands, submitted that between twelve and twenty-four containers were offloaded at the Cocos (Keeling) Islands for each Stateships' voyage from February 1992 to September 1993.⁴⁷ However, only around eighty-two containers per year, or about ten containers per voyage, were required for operational freight. The remainder carried building materials for major construction projects on Home Island which have since been substantially completed. The construction materials for the proposed Plantation Village resort would be spread over several voyages and were not expected to have a significant impact on sea freight volumes.⁴⁸

4.58 The Cocos (Keeling) Islands community was only too well aware that freight volumes were precariously low in terms of attracting a regular freight service to a remote community.

4.59 The Council, in evidence, identified the future of shipping services as being the most critical factor for the future of the Cocos (Keeling) Islands.⁴⁹ Asked if the Council considered the Stateships service might cease, Mr Ron Grant, Shire President said:

Stateships will only operate the service while it is commercially viable and with the smaller number of containers that must be in doubt. Why bring ten containers all the way to Cocos when you could load ten containers for South East Asia and continue running up there? There comes a stage where economically it is not effective.⁵⁰

⁴⁵ *Submissions* p. 7.

⁴⁶ *Transcripts* p. 469.

⁴⁷ *Submissions* p. 82.

⁴⁸ The building materials for Plantation Village would fill about 23 containers and could contribute as little as two containers per voyage. *Transcripts* pp. 470–72.

⁴⁹ *Transcripts* p. 499.

⁵⁰ *Transcripts* p. 499.

Existing service

4.60 Stateships provides a liner shipping service from Fremantle to the Cocos (Keeling) Islands, en route to South East Asia, with deliveries approximately every six weeks. This commercial shipping service commenced in September 1993.⁵¹

4.61 Stateships' service to the Cocos (Keeling) Islands varies from standard liner terms because normal commercial stevedoring arrangements are not available on a competitive basis and because freight unloading operations at anchorage can be hindered or delayed by weather conditions, or by the performance of the freight handling function by Island resources.⁵² Accordingly:

- freight to the Islands is carried on a 'Liner In–Free Out/Free In–Liner Out' basis – meaning it is the responsibility of the shipper to arrange and pay for stevedoring and distribution, including the return of empty containers to the ship;
- acceptance of freight is limited to those shippers who satisfy Stateships that they have entered into appropriate arrangements for the handling of freight at the Islands, including the return of empty containers; and
- there is a demurrage surcharge where the time for loading and unloading the ship (and thus the time the ship is in port) is extended for circumstances beyond the control of Stateships.

4.62 Stateships' rates for the carriage of freight from Fremantle to Christmas Island are shown in table 4.1. The rates shown apply to standard 20 foot containers or TEU (20 foot container equivalent). Premiums are charged for the carriage of refrigerated containers, and containers carrying hazardous – flammable or volatile – freight. There are also container demurrage charges where empty containers are held over on the Cocos (Keeling) Islands after the ship has left.

⁵¹ Prior to September 1993, the Cocos (Keeling) Islands were serviced under the Joint Island Supply System (JISS) organised by the Commonwealth, under which Stateships provided a dedicated shipping service to both the Indian Ocean Territories. Prior to 1989, the Commonwealth had chartered Stateships' vessels to service the Cocos (Keeling) Islands alone.

⁵² Exhibit No. 1.

**Table 4.1 Stateships' freight tariff, Fremantle to
the Cocos (Keeling) Islands**

<i>Container</i>	<i>Rates (\$)</i>
<i>Container freight rates</i>	
Standard	5 846.00
Refrigerated container	8 895.00
Hazardous freight	7 935.00
<i>Additional charges, per container</i>	
Port Service Charge	78.00
Demurrage	0.86
<i>Container demurrage, per day</i>	
Standard	6.00
Refrigerated	33.00

Source Stateships, *Cocos Island and Christmas Island Liner Service
Freight Tariff*, Effective to 31 December 1994.
Exhibit No. 38.

4.63 Stateships' vessels do not pass the Cocos (Keeling) Islands on the return journey to Fremantle. Freight consigned from the Cocos (Keeling) Islands to Fremantle is carried via South East Asia. Rates for the carriage of return freight from the Cocos (Keeling) Islands to Fremantle are identical to those for outbound freight shown in table 4.1.

4.64 To minimise demurrage (the period for which the Stateships vessel is delayed at anchorage), a dumb barge has been stationed in the Cocos (Keeling) Islands, capable of carrying the full complement of containers delivered on each voyage. The cost of the dumb barge is included in Stateships' freight rates to the Cocos (Keeling) Islands.⁵³

4.65 The demurrage penalty for shippers on the Cocos (Keeling) Islands was relatively low during the Inquiry – 86 cents per container. The demurrage penalty is based on the length of time the Stateships' vessel has been detained at anchor over the previous six months and is reviewed every six months. Stateships advised the Committee that, for the 12 months ended 15 December 1993, Stateships' vessels were twice delayed

⁵³ *Transcripts* p. 372.

at anchor in the Cocos (Keeling) Islands – once because of bad weather and once because a shore trailer used in freight handling operations became bogged.⁵⁴

4.66 However, demurrage penalties to the Indian Ocean Territories fluctuate unpredictably and the risk is borne entirely by the shipper. This is in contrast to Stateships' arrangements for South East Asia where Stateships itself bears the costs of any delays in port.

4.67 Some concern was expressed at Stateships' methods of calculating demurrage for the Cocos (Keeling) Islands. For example, it was unclear why Stateships gives a Notice of Readiness to discharge freight, that effectively starts the clock running for the purposes of demurrage calculations, based on the ship's estimated time of arrival off the Cocos (Keeling) Islands – which may not be when the ship drops anchor in the lagoon, much less the time when unloading operations commence.⁵⁵ When this matter was raised at a public hearing, Stateships was dismissive, observing that demurrage penalties at the Cocos (Keeling) Islands were practically non-existent⁵⁶ and that unloading operations at the Cocos (Keeling) Islands could easily achieve the specified rate of thirty containers per 24 hours laytime.⁵⁷

4.68 Under normal liner terms, freight rates include stevedoring and wharf handling charges. Stateships gave evidence that '... our service goes to the back of a truck in Singapore and Fremantle.'⁵⁸ However, since sea freight to the Cocos (Keeling) Islands is delivered on Liner In–Free Out/Free In–Liner Out terms, unloading containers from the ship and landing the containers on shore is carried out by the Co-operative at an additional charge. The Co-operative's stevedoring and freight handling rates are shown in table 4.2.

4.69 The total freight charge, including stevedoring and landing (excluding container demurrage penalties) for a standard container of dry goods shipped to West Island via Home Island was \$8 645.86 at the time of writing.

⁵⁴ *Submissions* p. 531.

⁵⁵ *Submissions* p. 69.

⁵⁶ *Transcripts* p. 362.

⁵⁷ *Transcripts* pp. 362–63.

⁵⁸ *Transcripts* p. 374.

Table 4.2 Stevedoring and freight handling rates on the Cocos (Keeling) Islands

<i>Destination of container</i>	<i>Co-operative rates (\$)</i>
West Island direct (standard container)	2 292
West Island direct (hazardous container)	2 590
West Island direct (refrigerated container)	2 292
West Island transhipped via Home Island	2 721
Home Island	1 756

Source Cocos Islands Co-operative Society Ltd.
Submissions pp. 73–83.

Fuel delivery

4.70 Tankers deliver diesoline and jet fuel to the Cocos (Keeling) Islands direct from Singapore every six months, under contract to the Shell Company of Australia Limited.⁵⁹ Tankers moor at buoys off West Island and fuel is pumped ashore by underwater pipeline.⁶⁰

4.71 Stateships carries motor vehicle fuel to the Cocos (Keeling) Islands in tank containers. Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, gave evidence that petrol was very expensive on the Cocos (Keeling) Islands – in the order of \$1 per litre.⁶¹

4.72 LPG is also shipped to the Cocos (Keeling) Islands in cylinders at a high cost. The ANCA Conservator on the Cocos (Keeling) Islands, Mr Jeff Tranter, noted that the high cost of gas cylinders for outdoor cooking over an open flame, combined with the Cocos Malay distaste for cooking indoors on electric stoves, was causing a potentially serious environmental problem. Home Islanders harvested pemphis, a native species for firewood. Pemphis is a very slow growing tree which grows around the lagoon edges, stabilising the sand banks. ANCA had introduced an educational program to discourage people from cutting all stems off the trees, to allow the trees to regenerate. This initiative had been successful for a while but demand for the wood had since resulted in whole areas being wiped out. Mr Tranter suggested that a freight subsidy on

⁵⁹ *Submissions* p. 68. Exhibit No. 37.

⁶⁰ *Submissions* pp. 66–67.

⁶¹ *Transcripts* p. 672.

gas cylinders and/or the production of briquettes, would be cheaper than any reafforestation program of which he was aware.⁶²

4.73 The Committee is aware of relatively simple technology recently developed by scientists from the Australian National University and the CSIRO to extract oil from coconuts at a low cost. Coconut oil can be used to power trucks, generators and outboard motors.⁶³ In fact, at a public hearing on the Cocos (Keeling) Islands, Mr Ian White, representing the Cocos Island Quarantine Service, gave evidence that an incinerator which was used to burn refuse from aircraft had been fired on coconut oil in the past.⁶⁴

4.74 The Committee considers that the commercial extraction of coconut oil on the Cocos (Keeling) Islands should be vigorously investigated. Such an initiative promises very important benefits for the Cocos community, including:

- savings in fuel costs;
- decreased reliance on imported fuel;
- employment opportunities for Cocos of the Cocos (Keeling) Islands; and
- development of an Australian technology that has reportedly attracted interest from Pacific Island nations and many other countries around the world.

RECOMMENDATION 15

4.75 The Committee recommends that the Department responsible for Territories, in collaboration with scientists at the Australian National University and the CSIRO, establish a pilot project for coconut oil extraction on the Cocos (Keeling) Islands, to investigate the economics of using coconut oil as the principal fuel source on the Cocos (Keeling) Islands.

⁶² *Transcripts* pp. 571–73.

⁶³ *ECOS* 78, Summer 1993/94, p. 7.

⁶⁴ *Transcripts* pp. 708–10.

Effectiveness and cost of sea freight arrangements

4.76 The Co-operative, the major shipper to the Cocos (Keeling) Islands, considered Stateships' service to be excellent.⁶⁵ Total Western Shipping, freight forwarder for the Commonwealth, also considered Stateships' service excellent.⁶⁶

4.77 However, there was serious concern that this service might be withdrawn. Mr Ron Grant, Shire President, gave evidence that sea freight rates had increased by 120% since 1989.⁶⁷ The concern of the Cocos (Keeling) Islands community was 'how long will that [Stateships'] service continue and at what cost'.⁶⁸

4.78 In the same vein, the Council stated that:

The shipping service is vital to the Islands because it is the only practical way of getting heavy and/or bulky items here, yet commercial realities may result in a reduced incidence of ships to the Islands or even a cessation of the service.⁶⁹

4.79 Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, was critical of the service provided by Stateships to the Cocos (Keeling) Islands which he considered to be provided as a low priority route diversion from Stateships' South East Asian trade, resulting in irregularities of scheduling, high demurrage penalties and occasional overcarriage of goods.⁷⁰ Mr Clunies-Ross reported that the forum of shippers from the Indian Ocean Territories, convened by the DEST Islands Liaison Office in May 1992, had agreed that a dedicated and regular shipping service to the Indian Ocean Territories, albeit at higher rates, was preferable to an unreliable service.⁷¹

4.80 The Committee took evidence that the sea freight rates from mainland Australia to the Cocos (Keeling) Islands were believed to be the most expensive freight rates for shipping a 20 foot container on any voyage in the world, on the basis of discussions with a large customs agent in London.⁷² Mr Clunies-Ross pointed out that freight rates to the Cocos (Keeling) Islands had risen by between 17% and 18% since Stateships began its commercial service [in September 1993],⁷³ although rates to

⁶⁵ *Submissions* p. 66.

⁶⁶ *Transcripts* p. 297.

⁶⁷ *Transcripts* p. 469.

⁶⁸ *Transcripts* p. 469.

⁶⁹ *Submissions* p. 31.

⁷⁰ *Submissions* pp. 5 & 8.

⁷¹ *Submissions* p. 10.

⁷² *Transcripts* p. 664.

⁷³ *Submissions* p. 11.

Christmas Island had been reduced at the same time. Mr Michael Hudson-Ansell, Acting General Manager of Stateships, explained that the Cocos (Keeling) Islands were three steaming days off the major trade route, and that the cost of running the vessel for the three days' deviation needed to be spread over the relatively small number of containers delivered to the Cocos (Keeling) Islands.⁷⁴

Future options

4.81 In April 1994, Mr Michael Hudson-Ansell, Acting General Manager of Stateships, observed that the WA Government had said that Stateships' 'broadly existing' services would be maintained for a three year period.⁷⁵

4.82 The WA Department of Transport called tenders for the management of Stateships to 1996. Tenders closed on 29 September 1994. In December 1994, the WA Minister for Transport announced that Stateships would continue to be run by its existing management.⁷⁶

4.83 The existing management of Stateships, in response to a request by the Committee for an update on Stateships' plans in relation to the Indian Ocean Territories, confirmed in October 1994 that, if the present management of Stateships was retained by the WA Government, then the shipping service to the Cocos (Keeling) Islands of a minimum six week frequency would be maintained.⁷⁷

4.84 There are no other definite prospects for the provision of a future sea freight service to the Cocos (Keeling) Islands. However, it was pointed out in evidence that at least four expressions of interest, including one from Stateships, had been lodged in 1993 in response to the call for tenders for the operation of a sea freight service under JISS.⁷⁸

4.85 Mr John Clunies-Ross indicated that Cocos Traders Ltd, one of the 1993 tenderers, was still interested in the provision of a dedicated service to the Indian Ocean Territories.⁷⁹

⁷⁴ *Transcripts* pp. 358–59.

⁷⁵ *Transcripts* p. 353. The WA Minister for Transport announced at the end of 1993 that Stateships' services would continue until the end of 1996. Exhibit No. 64.

⁷⁶ Exhibit No. 83.

⁷⁷ *Submissions* p. 1054.

⁷⁸ *Transcripts* p. 500.

⁷⁹ *Transcripts* pp. 691–92.

4.86 ASDMAR Pty Ltd, a firm of naval architects in Queensland, was consulting with business interests on the Cocos (Keeling) Islands, including Mr Clunies-Ross, regarding the design of a shallow hulled stern landing vessel which could be purpose-built to provide a dedicated shipping service from Port Hedland/Onslow or Dampier [WA] to the Indian Ocean Territories. The vessel could be designed to negotiate the reef in the Cocos (Keeling) Islands lagoon and to anchor very close to West Island.⁸⁰

Conclusion

4.87 The continued availability of a regular and reliable shipping service to the Cocos (Keeling) Islands is of overwhelming concern to the Cocos (Keeling) Islands community. This concern is natural in the context of uncertainty about the future of Stateships' services beyond 1996. The Committee recognises that the Cocos (Keeling) Islands will continue to be dependent on shipping and must be provided with a reliable service. As discussed in more detail in Chapter 3, the Committee recommends that the Commonwealth call tenders for the operation of a shipping service to both Christmas Island and the Cocos (Keeling) Islands, to commence no later than September 1996. (See RECOMMENDATIONS 2 to 5).

Freight handling infrastructure

4.88 In the Cocos (Keeling) Islands ships anchor at sea at Port Refuge off Direction Island. The anchorage is three kilometres from Home Island and eight kilometres from West Island. Immediately or at first light the next day, the dumb barge, the *Jasa Cocos*, and the landing barge, the *Biar Berjaya*, are brought alongside the ship. The *Jasa Cocos* is loaded with empty containers from the previous ship. The ship's derricks offload full containers onto the barges and pick up empty containers.

4.89 The *Biar Berjaya* can only carry one container at a time and is used to take the tank container, the freezer container,⁸¹ the refrigerated container, the mail container and perhaps one other container, direct to West Island. The freezer/refrigerated containers must be transported quickly to avoid food spoilage because there are no facilities for powering the containers on the dumb barge or on the jetty at Home Island.

4.90 On its return to the ship, the *Biar Berjaya* will carry the empty tank container and any other containers that can be immediately emptied, to minimise container demurrage costs. The turnaround time of the *Biar Berjaya* is two hours.

4.91 In the meantime, the remainder of the containers are loaded on the *Jasa Cocos* which is then towed to the Home Island jetty by the *Biar Berjaya*. The *Jasa Cocos* can carry twenty containers weighing up to 450 tonnes.

⁸⁰ Exhibit No. 56.

⁸¹ The freezer container is only carried on every second voyage.

4.92 A new mobile crane, rated to lift fully loaded containers, was delivered to the Cocos (Keeling) Islands in August 1994. At the time of writing, operators were being trained on the use of the crane.⁸² Prior to the arrival of the new crane, containers on the dumb barge were unpacked one at a time and the freight removed by forklift.

4.93 Most of the containers delivered to the Cocos (Keeling) Islands are destined for West Island but the jetty on West Island is not strong enough for the *Jasa Cocos* to moor alongside. Nor, for that matter, is the jetty strong enough to bear the weight of a fully loaded container. Accordingly, the majority of containers for West Island are transhipped through Home Island.

4.94 At the West Island beach where containers are landed, Asset Services⁸³ is responsible for providing a bulldozer to drag ashore off the landing craft pig trailers carrying shipping containers. Asset Services is also responsible for building a ramp which is used to take the trailer up to the landing craft. The landing craft is not anchored or moored and must continually drive itself into the sand near the ramp so that the containers can be dragged off. The foundation for the ramp is composed of coral, dumped onto the sand by a front end loader. Angle iron and wood blocks are used to construct the ramp and it is covered with rubber. The ramp must be rehabilitated for each container. Asset Services charges around \$600 (per container) to prepare the coral ramp and drag the container ashore. This cost is billed to the Co-operative and ultimately paid by shippers.⁸⁴ In the past, the trailers have become bogged and, in at least one instance, this resulted in demurrage penalties.⁸⁵ A photograph of the *Biar Berjaya* at the existing beach landing on West Island is at figure 4.2.

4.95 The bulldozer which is used to pull the containers on-shore must undergo a 16 to 24 hour servicing which involves pulling out all the plates to wash off coral and salt.

4.96 The Committee watched a videotape of stevedoring and freight handling operations on the Cocos (Keeling) Islands, prepared by Asset Services.⁸⁶

⁸² Exhibit No. 63.

⁸³ Asset Services is a commercial business unit within the Department of Administrative Services. Asset Services provides technical management and maintenance for essential services on the Cocos (Keeling) Islands.

⁸⁴ *Transcripts* p. 701.

⁸⁵ *Submissions* p. 531.

⁸⁶ Exhibit No. 11.



Figure 4.2 Beach landing on West Island, the Cocos (Keeling) Islands

Source ACS

4.97 Not one witness was prepared to say that the existing freight handling procedures on the Cocos (Keeling) Islands were adequate. Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, pointed out that the freight handling infrastructure on the Cocos (Keeling) Islands had not been upgraded since the days of manhandling break bulk freight.⁸⁷ The major complaints about the freight handling infrastructure on the Cocos (Keeling) Islands related to the procedures for delivering freight to West Island. The following claims were made in evidence to the Committee.

- Freight handling procedures are **dangerous**, especially in swell conditions and do not conform with occupational health and safety guidelines.
- The beach used for freight handling on West Island has suffered serious **environmental degradation**. In particular, the shoreline has receded to a marked degree. The quarrying of coral to form the foundation of the ramp is destructive.
- There are **no facilities for quarantine inspection** of containers, nor for treatment of contaminated or infested freight, despite the fact that the Cocos (Keeling) Islands host Australia's highest security quarantine station.
- Freight handling is **inefficient** and costly.⁸⁸ [The cost of moving a container from the ship to West Island is at least 40% of the cost of shipping the container from Fremantle to the Cocos (Keeling) Islands.]
- The system engenders **delays** in the delivery of freight to consignees, especially for shipments to West Island. It was claimed that consignees wait up to four weeks to receive freight in the normal course of business and that, on occasion, the next ship may have arrived before freight is delivered from the previous ship.⁸⁹ The Co-operative submitted that these claims were exaggerated.⁹⁰
- Containers were sometimes **delivered to the wrong island** resulting in further delays. Asset Services noted that this had been the case for container loads of building materials required on Home Island.⁹¹ The Co-operative admitted this had been a problem but was being remedied.⁹²

⁸⁷ *Submissions* p. 2.

⁸⁸ Mr Ken Edwards, Director of the DEST Islands Liaison Office, considered the stevedoring and handling charges of the Co-operative to be expensive. *Transcripts* p. 386. However, the General Manager of the Co-operative, Mr Ron Grant noted that there had been a substantial reduction in freight handling rates since the cessation of JISS. *Transcripts* p. 503.

⁸⁹ *Submissions* p. 6.

⁹⁰ The Co-operative submitted that delivery to West Island takes place in four days, but there could be delays of up to three weeks at the time of the holiday Hari Raya. *Submissions* pp. 72 & 510.

⁹¹ *Submissions* p. 666.

⁹² *Submissions* p. 744.

- The deconsolidation and delivery function is said to be **inadequately documented**.⁹³ The Co-operative says that it is no longer responsible for invoicing small consignments other than those carried in its own containers.⁹⁴
- Multiple handling of goods results in increased risk of loss of, or **damage to, freight**. The deconsolidation process results in damage to freight.⁹⁵ [Breakages are particularly significant on the Cocos (Keeling) Islands because it is at least another six weeks before the replacement goods arrive.]

Planned upgrades of port infrastructure

4.98 The Council stated in evidence that improved freight handling infrastructure was 'around nine or ten' in its list of priorities for Commonwealth funding – behind improved housing, water and sewerage, power, roads, waste removal, health and education.⁹⁶

4.99 DEST advised the Committee that nearly \$2.5 million had been allocated over the 1993–94 and 1994–95 financial years for the upgrading of the Home Island jetty (\$0.786 million), repairs to the Home Island slipway (\$0.486 million) and the installation of a crane capable of lifting fully loaded containers (\$1.198 million).⁹⁷ The new crane is mobile and could be transferred to West Island and/or used on construction projects.⁹⁸ A new swinglift trailer was also to be purchased.⁹⁹

⁹³ *Submissions* p. 7.

⁹⁴ *Submissions* p. 511.

⁹⁵ *Transcripts*, pp. 313–14. Mr Neil Robinson, Shipping Manager, Total Western Shipping, drew the Committee's attention to this problem. 'Currently, the consolidator – I am learning this very quickly, especially on Cocos Island – packs all the heavy equipment and all the solid equipment on the base of his floor. That is why he has a load plan, and that is why you leave everything consolidated in the store until you close off and then you start loading it. As the equipment gets more fragile, you pack it to suit the container. What is happening is that when the container gets to Home Island the top load goes onto the bottom load and then, when the container gets back to West Island, the bottom load goes back and the top load goes on top, and everything is broken and no-one can work out why.'

⁹⁶ *Transcripts* p. 495.

⁹⁷ *Submissions* pp. 335–36. *Transcripts* p. 285.

⁹⁸ *Transcripts* p. 925.

⁹⁹ *Transcripts* p. 488.

4.100 The Co-operative suggested that the new crane was unlikely to result in great savings in freight handling costs.¹⁰⁰

4.101 DEST also advised the Committee of a proposal for a temporary improvement to freight handling on West Island. The proposal involved the construction of a concrete ramp at Rumah Baru beach on the lagoon at West Island.¹⁰¹ Rumah Baru is just down from the beach where containers are currently landed on West Island, further south of the West Island jetty. Funding of \$445 000 over two years was approved in May 1994 for the ramp and associated works, including upgrading of access roads.¹⁰² The Committee was shocked by this proposal, having heard that Rumah Baru has a fragile ecosystem.

4.102 DEST's own engineering consultants on the Cocos (Keeling) Islands, Australian Construction Services (ACS), had advised in June 1992 that the best interim solution on West Island pending major new freight handling infrastructure was an improved beach landing at the existing freight handling site – with two mooring piles to stop the *Biar Berjaya* from beaching itself and the purchase of one trial amphibious trailer (with three more to be ordered if it proved successful) – at a total cost of \$120 000 for the four trailers and two moorings.¹⁰³ Asset Services shared the view that freight handling operations on West Island would be immediately improved by the use of more stable trailers.¹⁰⁴

4.103 DEST suggested to the Committee that the shoreline at Rumah Baru was more stable than at the existing landing site. However, Mr Jeff Tranter, the ANCA Conservator on the Cocos (Keeling) Islands, was of the view that the construction of a concrete ramp on the beach at Rumah Baru could affect water flow patterns in that area of the lagoon, setting up the conditions for erosion of the shoreline.¹⁰⁵

4.104 Mr Tranter showed the Committee a water flow chart for the Cocos (Keeling) Islands which appears at figure 4.3. Arrows on this chart indicate the direction of water flows. The relative thickness of the arrows indicates the volumes of water flowing into and out of the lagoon.

¹⁰⁰ *Submissions* p. 84. The crane could save \$257 in labour costs but this would be offset by the cost of crane hire.

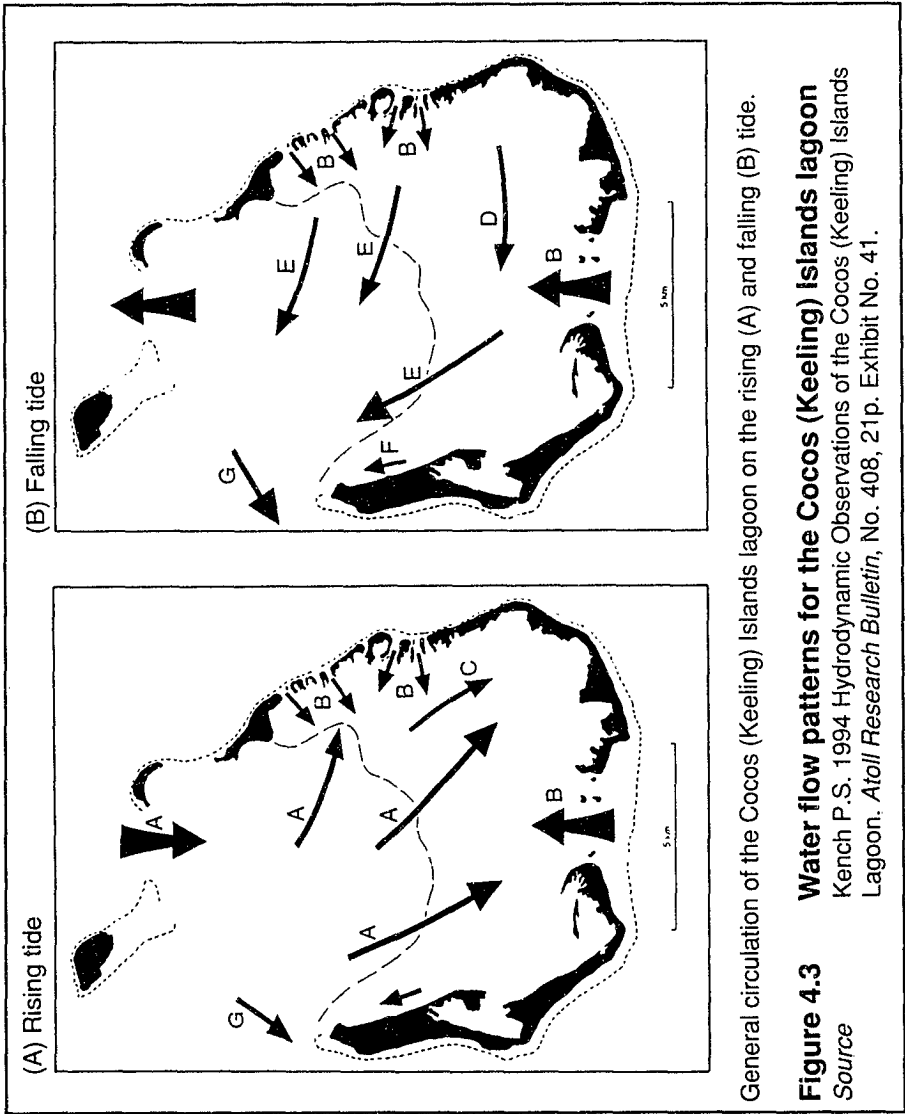
¹⁰¹ *Transcripts* p. 283.

¹⁰² *Submissions* p. 989.

¹⁰³ Exhibit No. 13.

¹⁰⁴ *Submissions* p. 665.

¹⁰⁵ *Transcripts* p. 574.



4.105 Referring to this chart, Mr Tranter outlined his concerns about the proposed development at Rumah Baru.

With regard to the proposed Rumah Baru site ... It is at the far end of the little central lagoon. At that spot, the current continually heads out ... You have a constant current going out of the lagoon moving up northwards along that coastline.

... If a structure is built out from that coastline, I would imagine that there would be considerable sediment built up on the upstream side and there would be consequent erosion on the downstream side. I suppose that would be the geomorphological response. The other issue is that that section of coastline has a fairly extensive sea grass bed. ... Those seagrass beds are fish nursery areas and also feeding grounds for green turtles. Green turtles are protected here, as they are throughout Australia. They are under threat throughout the world. We would be very worried that consideration was not given to those issues before any development went ahead at Rumah Baru.¹⁰⁶

4.106 The Chairman, on behalf of the Committee, wrote to the Minister for the Environment, Sport and Territories on 3 May 1994. The Committee expressed concern that there appeared to have been an absolute lack of consultation with environmental authorities on the likely impact of the construction of the ramp at Rumah Baru. The Committee was also concerned that DEST had proceeded with plans for new infrastructure on West Island while the Committee was engaged in taking evidence on, and assessing, the various freight handling options suggested for West Island. It was apparent to the Committee, if not to DEST, that the construction of an expensive and permanent structure at Rumah Baru could obstruct or preclude the implementation of other freight handling options suggested for this site.

4.107 The Parliamentary Secretary replied on behalf of the Minister on 2 June 1994, assuring the Committee 'that no construction has occurred or will be undertaken until the environmental implications have been considered during the design stage.'¹⁰⁷ The Committee was further advised on 6 September 1994 that survey work and an Environmental Impact Statement were in preparation and that construction was not scheduled to commence until May 1995.¹⁰⁸

RECOMMENDATION 16

4.108 The Committee recommends that the proposed construction of a ramp at Rumah Baru not proceed.

¹⁰⁶ *Transcripts* pp. 574–75.

¹⁰⁷ *Submissions* p. 989.

¹⁰⁸ Exhibit No. 63.

Quarantine requirements

4.109 The Cocos (Keeling) Islands host Australia's maximum security animal quarantine station. The quarantine station, from time to time, is home to high value exotic species such as alpaca, black rhino and ostrich, prior to their entry to the mainland. The quarantine station is run on a cost recovery basis.

4.110 In this context, the Committee was disturbed and surprised to discover that the facilities for quarantine inspection of freight containers delivered to the Cocos (Keeling) Islands were less than adequate.

4.111 Freight containers delivered to the Cocos (Keeling) Islands could have been stored in Fremantle next to containers originating in South East Asia and could have been contaminated – by Giant African Snail for example – during storage. Exotic wood boring insects had been discovered in freight consignments from Singapore.¹⁰⁹

4.112 The Cocos Island Quarantine Service was particularly concerned that imports from South East Asia to the Cocos (Keeling) Islands could increase in the future if Stateships' service was discontinued. The Quarantine Service submitted at the end of 1993 that three recent shipments of freight from Singapore had caused inconvenience and expense to all parties because of the inadequacy of facilities to carry out quarantine treatments. As a result, imports of freight from Singapore had been voluntarily suspended on the Cocos (Keeling) Islands.¹¹⁰

4.113 The requirements for quarantine inspection and treatment on the Cocos (Keeling) Islands were said to be as follows:

- facilities to lift containers for inspection and cleaning of the exterior of the container (such as a crane or forklift); and
- hardstand for fumigation, surrounded by security fencing or walls since the chemicals used for fumigation are potentially lethal to humans.¹¹¹

4.114 The Quarantine Service also pointed out that freight consignees incurred excessive costs for quarantine inspection on the Cocos (Keeling) Islands because they had to pay for travel time and stand-by time for quarantine officers crossing the lagoon from the quarantine compound on West Island to the jetty on Home Island for freight inspections. The charge for quarantine inspections in late 1993 was \$86 per half hour.¹¹² The Quarantine Service noted that much of this expense could be avoided if the containers were first delivered to West Island for quarantine inspection.

¹⁰⁹ *Submissions* p. 36.

¹¹⁰ *Submissions* p. 35.

¹¹¹ *Submissions* p. 37.

¹¹² *Submissions* p. 37.

4.115 Quarantine clearance of air freight is undertaken at the airport. The Cocos Island Quarantine Service submitted that:

Generally speaking facilities for handling aircraft, freight and passengers are satisfactory, especially considering the remoteness of the location, density of traffic and size of the population.

However, the terminal suffers from a Quarantine perspective in that it does not have available an area for minor treatments (shoe washing, seed de-contamination of clothing etc.) and somewhere to store goods being held for further inspection or re-export, as has been the case on several occasions.¹¹³

4.116 The Committee is also concerned about these shortcomings.

RECOMMENDATION 17

4.117 The Committee recommends that immediate provision be made on Home Island for quarantine inspection and treatment of freight containers. The minimum additional requirement would be a secure area with a hardstand for fumigation. Further, the Committee recommends that quarantine requirements be incorporated into any new freight handling infrastructure on West Island.

RECOMMENDATION 18

4.118 The Committee recommends that facilities be provided in the airport terminal building on the Cocos (Keeling) Islands for quarantine inspections, treatments and secure storage.

Options for freight handling on West Island

4.119 It was submitted that any new freight handling infrastructure on the Cocos (Keeling) Islands should be developed on West Island, since the majority of containers delivered by Stateships were consigned to West Island.¹¹⁴

¹¹³ *Submissions* p. 38.

¹¹⁴ *Submissions* p. 70.

4.120 Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, pointed out that the trend would be for increasingly large proportions of total freight to go to West Island.

The reconstruction program for Home Island is completed. ... The next building program will be on West Island. The older buildings in the Southern part of the settlement are nearing the end of their economic lives. The prospective growth of business and tourism will be concentrated on West Island. The airstrip will require resurfacing in the near future. The result will be that future freight movements will be much greater for West Island than for Home Island. It is illogical that the greater part of freight go first to Home Island ...

The sensible way is for containers to go direct to the Island for which they are intended.¹¹⁵

4.121 There was no opposition to the view that containers destined for West Island should be delivered direct if possible. However, there was considerable debate about the most suitable new freight handling infrastructure for West Island. Various options for freight handling facilities on West Island were proposed to the Committee, the major ones being:

- amphibious landing craft;
- hoverbarges;
- a new jetty on West Island;
- an inter-island road circling the Islands and linking Home Island and West Island; and
- a shallow hulled vessel requiring a concrete ramp landing.

Consultancy report on new infrastructure for West Island

4.122 Options for new freight handling infrastructure for West Island had been under examination before this Committee's Inquiry commenced. DEST had commissioned ACS to report on options for freight management on the Cocos (Keeling) Islands and for new infrastructure on West Island in particular. ACS reported on options for new infrastructure in July 1992.¹¹⁶

¹¹⁵ *Submissions* p. 7.

¹¹⁶ Exhibit No. 13.

4.123 In 1992, ACS considered the use of a hoverbarge to carry containers was potentially the most effective method of transporting containers on the Cocos (Keeling) Islands. The indicative cost was \$0.8 million per hoverbarge.¹¹⁷ However, ACS noted that no hoverbarge was then operating in Australian waters and recommended that the concept should be further developed with a hovercraft manufacturer or consultant. The indicative cost for the study was \$25 000.

4.124 ACS discarded two ideas for new jetties on West Island on the grounds of high estimated costs of construction.

- One option was a heavy jetty, with a mobile crane to lift containers onto trailers. The estimated cost of this jetty was \$8.7 million.
- The other option was a light rail jetty with mobile crane. The substructure of the jetty would support open tracks with a winch-drawn jinker on which containers could be pulled ashore. The indicative cost was \$5.9 million.

4.125 ACS also discarded the inter-island road (causeway) option on the grounds that:

- construction would require a significant quantity of rock or coral aggregate not available on the Cocos (Keeling) Islands;
- the causeway would affect the water circulation pattern around the Islands and its construction would be unlikely to be acceptable from an environmental point of view; and
- the causeway would be very expensive.

ACS subsequently prepared some indicative costings for the inter-island road ranging from a minimum of between \$40 to \$60 million for the artificial beach causeway option, to between \$80 to \$100 million for a rock armoured causeway with steel piled, concrete decked bridges.¹¹⁸

Evidence on new infrastructure

4.126 The Committee took evidence on the advantages and disadvantages of the different proposals for new infrastructure on West Island. This evidence is summarised in table 4.3. Each option is then discussed in detail.

¹¹⁷ The hoverbarge proposal put to ACS in 1992 differs from the hoverbarge option proposed to this present Inquiry. The 1992 proposal involved the supply of two Air Cushion Platforms, each capable of carrying a 20 tonne container from ship to shore travelling at around 15 knots but requiring a tow up the beach to the unloading area. The 1994 proposal discussed in this Report involves the supply of two LACV-30 craft, formerly used for military purposes, capable of running up on a beach without a tow. *Submissions* p. 750.

¹¹⁸ *Transcripts* p. 323.

Table 4.3 Proposals for new freight handling infrastructure on the Cocos (Keeling) Islands

<i>Proposed infrastructure (Proposed by)</i>	<i>Estimated Cost (\$M)</i>	<i>Major advantages</i>	<i>Major disadvantages</i>
Amphibious landing vessel (Becfab Equipment Pty Ltd)	1.35	Would improve beach landings on West Island without associated capital works.	Some containers for West Island could still need to be transhipped via Home Island.
Hoverbarges/LACV-30s (ACS/Hunter International)	3.4	As above. Moreover, hoverbarges could achieve speeds of 50 knots and the turnaround time to West Island has been estimated at 45 minutes, which would eliminate or reduce transhipment of containers.	Hoverbarges could be expensive to operate and maintain. Performance would be impaired in high winds.
Inter-island road (DEST)	40 to 100	The inter-island road would obviate the need for freight handling infrastructure on West Island. There would be significant auxiliary benefits.	Causeway construction would obstruct natural flushing of the lagoon, with ensuing ecological problems. Construction and maintenance costs for this option would be extremely high compared to other options.
Jetty on West Island - various proposals (Mr John Clunies-Ross)	5 to 9	A jetty on West Island would eliminate transhipment costs because the dumb barge could moor at West Island. A pile jetty would cause minimal disruption of natural water flows.	There may need to be some dredging of the lagoon, with removal of coral heads.
Shallow hulled vessel/ Ramp (ASDMAR Pty Ltd)	Ramp only 0.45	The proposed vessel would eliminate the need for barges to carry containers from ship to shore.	The vessel would require a landing ramp, which could have a serious environmental impact.

Amphibious landing vessel

4.127 The amphibious landing vessel is a motorised barge with submersible tracks similar to bulldozer or swampdozer tracks.¹¹⁹ The amphibious landing vessel was designed by Becfab Equipment Pty Ltd (Becfab), a Victorian engineering company involved in the design, manufacture and service of marine equipment. Becfab has supplied freight handling equipment to Nauru and other remote areas.

4.128 The 24 tonne amphibious landing vessel, illustrated at figure 4.4, is capable of carrying a fully loaded shipping container, including a tank container.¹²⁰ The amphibious landing vessel could be fitted with a passenger module for ferry operations, or with a false deck to carry oversized freight.

4.129 On the Cocos (Keeling) Islands, the amphibious landing vessel could deliver freight to both Home Island and West Island if required. At Home Island, the amphibious landing vessel could draw alongside the jetty to be unloaded by land based crane or could unload from a beach landing. At West Island, the amphibious landing vessel would run up one of the beaches on the lagoon using its swampdozer tracks, to unload at a convenient location.

4.130 The vessel could be equipped with its own crane. However, the recommended solution for lifting a container off the amphibious landing vessel then lowering the container onto a trailer on West Island was the installation of a simple straddle crane or boat lift frame, at a cost of between \$80 000 and \$250 000¹²¹ depending on the type of lifting frame chosen. The frame would be mobile or able to be taken apart and re-assembled at different locations as required. The amphibious landing vessel itself would cost around \$1.1 million¹²². The indicative cost for the amphibious landing vessel option would be under \$1.35 million, excluding any hardstand area that would need to be built as a loading bay for trucks.

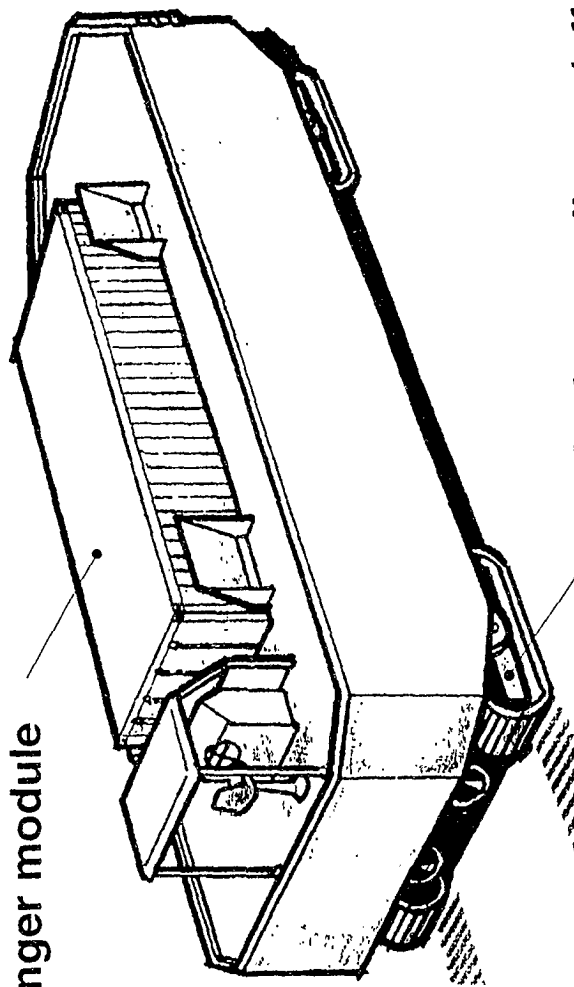
¹¹⁹ Becfab gave evidence that the submersible tracks were a patented system used on Becfab's crawling dredgers. The tracks have a large surface area and low ground pressure to minimise disturbance to sand and other soft surfaces. *Transcripts* pp. 157 & 165.

¹²⁰ There is also a 42 tonne amphibious landing vessel, with drop front, capable of carrying heavy equipment as well as freight. However, this Report considers only the 24 tonne model.

¹²¹ *Transcripts* p. 174.

¹²² *Transcripts* p. 164.

containers, general cargo, or
passenger module



tracks for crawling on/off shore

Figure 4.4 Amphibious landing vessel

Source Becfab Equipment Pty Ltd. Exhibit No. 24.

4.131 Becfab made a presentation to the Committee, claiming that its amphibious landing vessel would offer the following advantages for freight handling on the Cocos (Keeling) Islands.¹²³

- The amphibious landing vessel would not require berthing facilities or any other sophisticated infrastructure. It follows that the amphibious landing vessel solution could be relatively quickly implemented compared to solutions requiring the design and construction of land based infrastructure. The amphibious landing vessel would not be confined to one landing site on the Cocos (Keeling) Islands. It could be used to unload freight on any beach with an incline no greater than 20 degrees.¹²⁴
- The amphibious landing vessel was a heavy and robust craft, stable in rough seas. Becfab claimed that if the vessel was punctured or flooded it would still not sink. It would land through a surf and would not become bogged in mud, sand or salt.¹²⁵
- The amphibious landing vessel would have minimal environmental impact on the beach – the tides would wash away the tracks. The ground pressure was 0.75 kilograms per square metre which was said to be 'hardly even enough to crush your foot if it ran over it'.¹²⁶
- The amphibious landing vessel, and crawling dredgers with the same submersible tracks, have proven reliable, for example at Nauru and Dampier [WA]. The technology was simple. The life of the craft was ten to fifteen years and maintenance costs were relatively low. The technology and maintenance requirements were the same as for equipment already operating on the Cocos (Keeling) Islands.¹²⁷

4.132 The Committee sought comments on this proposal. There was no criticism of the vessels themselves. However, the following weakness in this method of freight handling was identified.

- The amphibious landing vessel would travel through the water at around 8 knots. There would still be a need for containers to be offloaded onto the dumb barge and transhipped to West Island since the amphibious landing vessel would not be fast enough to achieve direct delivery of all containers destined for West Island before the departure of the ship. However, the transhipment of fully loaded

¹²³ *Transcripts* pp. 149–79. Exhibit Nos. 2 & 24.

¹²⁴ *Transcripts* p. 171.

¹²⁵ *Transcripts* pp. 160 & 165 & 169.

¹²⁶ *Transcripts* p. 165.

¹²⁷ *Transcripts* p. 158.

containers from the dumb barge on Home Island to West Island by amphibious landing vessel should involve delays of one or two days only.

4.133 If all the claims made for this craft can be substantiated for operation in the conditions prevailing on the Cocos (Keeling) Islands, the Committee considers that an amphibious landing vessel would be an affordable and efficient solution for delivering freight to West Island. The Committee considers that the purchase of such a craft – at a cost in the order of \$1.35 million – including a straddle crane or boat-lift to transfer containers from the amphibious landing vessel to trailers – would be a far superior investment compared to the proposed construction of a concrete ramp and the continued use of the *Biar Berjaya*, bulldozers, trailers, and forklifts.

Hoverbarges

4.134 Like amphibious landing craft, hoverbarges carry containers from ship to shore and run up on the beach without the need for any berthing or landing infrastructure.

4.135 Hoverbarges are propelled over water and level ground on a cushion of air at relatively high speed – up to 50 knots. It was proposed that hoverbarges would carry fully loaded containers from the Stateships' vessel to West Island, running up on a beach near the airstrip and continuing to a convenient site on West Island where a container depot could be located.

4.136 The hoverbarge solution to freight handling problems on the Cocos (Keeling) Islands was based on the purchase of second-hand LACV-30 craft – twenty-six of which had been supplied by Textron Marine and Land Systems to the United States Army between 1977 and 1985 and recently decommissioned.¹²⁸ The manufacture of similar craft in Australia was proposed as an alternative. The LACV-30 is illustrated at figure 4.5. The LACV-30/hoverbarge option was proposed to the Committee by Mr Barry Wilson, Managing Director, Hunter International Pty Ltd, a NSW manufacturer of hovercraft.¹²⁹

¹²⁸ The US Army was reported to have disposed of its LACV-30 craft by auction in August 1994. Hunter International Pty Ltd advised the Committee in September 1994 that Hunter International/Textron could be able to offer LACV-30s in a lease or lease-buy package, including maintenance and operation if desired. *Submissions* p. 1047.

¹²⁹ *Submissions* pp. 749–57 & 999–1003 & 1046–47. *Transcripts* pp. 894–914. Exhibit No. 47.

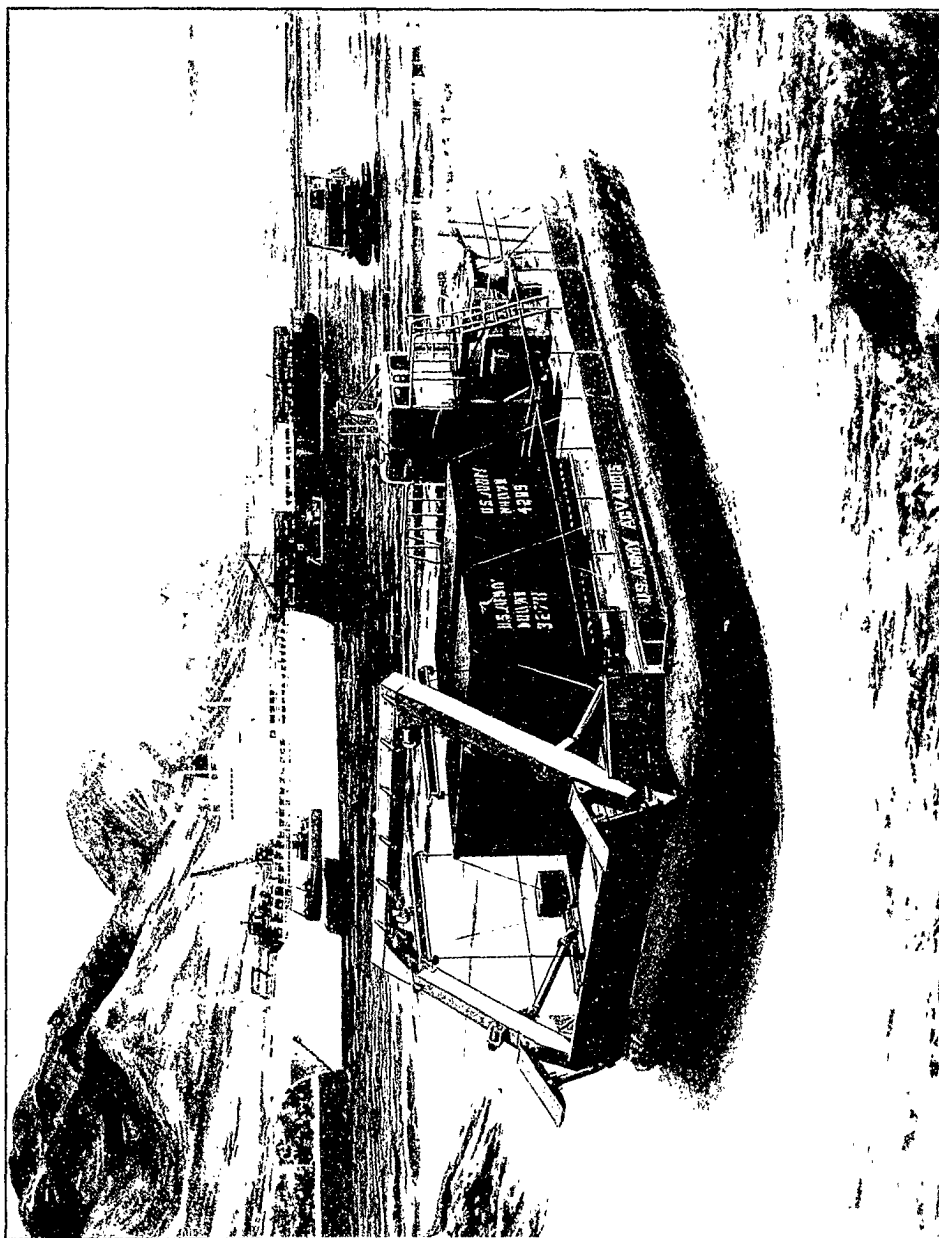


Figure 4.5 LACV-30 hoverbarge

Source Hunter International Pty Ltd. Exhibit No. 47.

4.137 It was estimated that the cost to purchase and refurbish the LACV-30 craft would be in the order of \$1.5 million each, delivered¹³⁰. It was recommended that two craft be purchased for freight handling on the Cocos (Keeling) Islands – to speed freight handling operations, but also to allow for one craft at a time to be withdrawn from service for overhauls. Associated land based infrastructure, including a crane to unload containers from the hoverbarge and a workshop for maintenance of the craft, was expected to cost just over \$400 000.¹³¹ This gave an indicative cost for the hoverbarge option of \$3.4 million.

4.138 The Committee was informed that LACV-30 craft have the capacity to carry at least one fully loaded container, possibly two if the total weight of the containers did not exceed the normal payload limit of 27 tonnes,¹³² and up to six empty containers. LACV-30s are powered by gas turbine engines burning aviation or light diesel fuel.¹³³

4.139 The advantages of hoverbarges for the Cocos (Keeling) Islands were said to include the following factors. These advantages were claimed in particular for the LACV-30 craft.

- LACV-30s were heavy and robust craft, stable in rough seas and able to land in a 2.5 metre surf.¹³⁴
- Associated infrastructure and works on the Cocos (Keeling) Islands would be minimal, resulting in a relatively low upfront capital cost for the hoverbarge option. Hoverbarges would not require berthing facilities and could land at any beach with a gradient of one in ten or less.¹³⁵ Hoverbarge operations would not be affected by water depths or underwater obstructions such as coral reefs.¹³⁶

¹³⁰ *Transcripts* p. 901.

¹³¹ *Submissions* p. 1001.

¹³² *Submissions* p. 751. However, advice obtained by DEST from the Defence Acquisitions office at the Embassy of Australia in Washington DC stated that the LACV-30 craft had never attained the ability to move the stated capacity of 30 tons and that a service life extension program to boost the capacity of the craft was rejected. Exhibit No. 58.

¹³³ Exhibit No. 47.

¹³⁴ *Submissions* p. 750.

¹³⁵ Hunter International submitted that LACV-30s could also run up a beach with a one in five gradient for 60 metres at an entry speed of 50 knots. *Submissions* p. 1003.

¹³⁶ Exhibit No. 47.

- On the Cocos (Keeling) Islands, hoverbarges could virtually deliver to the door, without need for new access roads around West Island. It was proposed that the vehicles could run up the beach on West Island straight onto the airstrip and deliver freight to a secure store near the main business area.¹³⁷
- Hoverbarges are fast. LACV-30s are able to achieve speeds of up to 50 knots, provided there is not high wind resistance. The turnaround time on the Cocos (Keeling) Islands – from the ship moored at Direction Island to West Island and back, including loading and unloading of containers – would take around 60 minutes in favourable weather. It was estimated that 15 containers delivered to the Cocos (Keeling) Islands could be landed in around 10 hours using one LACV-30, or in around 6 hours using two LACV-30s. This could eliminate the need for containers for West Island to be offloaded onto the dumb barge and transhipped via Home Island.¹³⁸
- The use of hoverbarges would result in significant ongoing cost savings in container handling operations at the Cocos (Keeling) Islands by eliminating the need for transshipment of containers, construction of the coral ramp for the landing craft, the use of bulldozers and so forth.¹³⁹
- Delivery of the craft to the Cocos (Keeling) Islands could be expedited.
- Hoverbarges would have minimal environmental impact on the beach – the ground pressure would be half of one psi,¹⁴⁰ compared to six to eight psi for a person walking. There would be a need for simple, low cost sand stabilisation measures (plastic mesh).
- The craft could be equipped with a demountable passenger carrying module, to be used as a ferry in between ship visits. At the same time, the hoverbarge could carry motor vehicles and fuel if required.

¹³⁷ *Submissions* p. 751.

¹³⁸ *Submissions* p. 1047.

¹³⁹ *Submissions* p. 1047.

¹⁴⁰ Pounds per square inch. *Transcripts* p. 897.

4.140 However, the following serious criticisms were made, particularly levelled at the LACV-30 craft.

- Hoverbarges were propelled on a cushion of air. In high winds, the performance of the craft was seriously diminished.¹⁴¹
- Hoverbarges exhibited poor manoeuvrability, especially in winds.¹⁴²
- The craft were costly to operate, burning far larger amounts of fuel than would be required by ordinary barges – up to 1000 litres of fuel per hour of operation.¹⁴³

¹⁴¹ Addressing this issue, Hunter International Pty Ltd advised that the US Army windspeed limit for LACV ship/container loading/unloading operations was 48 kilometres per hour (26 knots). In addition, Hunter International advised as follows.

- . In still wind the LACV-30 could transit over water at 93 kilometres per hour (50 knots).
- . If the LACV-30 were to be heading directly into a 60 kilometres per hour wind, its speed made good would be 93 minus 60 = 33 kilometres per hour. However, on the return trip, it could theoretically make 153 kilometres per hour.
- . The winds on the lagoon at the Cocos (Keeling) Islands are understood to be on the beam transiting between Home and West Islands. With a 60 kilometre per hour wind at right angles to the course of the LACV-30, the speed made good would be 60 to 77 kilometres per hour.

Submissions p. 999.

¹⁴² *Submissions* p. 998. Textron Marine and Land Systems rebutted this criticism, stating that the LACV-30 craft 'have shown more than adequate manoeuvrability to operate alongside large steel cargo ships and in Army exercises, have consistently outperformed conventional lighters in terms of cargo moved from ship to shore'. *Submissions* p. 1044.

¹⁴³ DEST obtained advice from the Defence Acquisitions office at the Embassy of Australia in Washington DC on the LACV-30 craft. The operating cost of the craft was estimated at US\$1892 per hour, including high maintenance costs. Exhibit No. 58.

Hunter International Pty Ltd submitted that the US Army advised direct operating costs of approximately US\$ 1000 or \$AUD 1350 per hour, inclusive of maintenance costs, and maintained that the estimated operating cost on the Cocos (Keeling) Islands would be \$AUD 800 to \$AUD 1000, exclusive of maintenance. *Submissions* p. 1046.

- There was some question as to the maintenance costs of the craft and reliability. LACV-30 craft were powered by gas turbine engines used in helicopters and aircraft and would require servicing by specially trained mechanics.¹⁴⁴
- The hoverbarge operators on the Cocos (Keeling) Islands would be required to hold a maritime qualification but also to be certified as master of an air cushion vehicle – requiring 50 hours of operation.¹⁴⁵ This would require the operators to be trained on the mainland or, alternatively, an experienced operator would need to be stationed on the Cocos (Keeling) Islands until the local operators achieved minimum operational hours.
- Hoverbarge engines were noisy, comparable to a twin-propeller aircraft.

4.141 Hoverbarges appeared to the Committee to be a tailor-made solution for freight handling on the Cocos (Keeling) Islands. However, as set out above, the Committee was cautioned about potentially serious problems with the operation of hoverbarges.

4.142 The Committee had neither the time nor the technical expertise to adjudicate the competing claims made about the performance and operating costs of hoverbarges. Nonetheless, the Committee heard and saw and read enough about hoverbarges to conclude that the option is worth pursuing. ACS advised the Committee that hoverbarges designed to carry freight or heavy equipment have been built in Finland, France, Japan and China, as well as in the USA.¹⁴⁶ Hunter International advised the Committee that the Canadian Coast Guard had successfully operated a LACV for many years.¹⁴⁷

¹⁴⁴ Advice from the Defence Acquisitions office at the Embassy of Australia in Washington DC suggested that the LACV-30 craft required an onerous maintenance schedule – the ratio of maintenance staff hours to operating hours was said to be 12.9:1. The craft were reported to have poor endurance – 43 operating hours between major repairs. The monthly readiness rate for the LACV-30 craft during 1992–93 was said to be never greater than 60% and frequently much less. The LACV-30 was reported to have a number of aircraft components which would require servicing by aviation technicians rather than general mechanics. Exhibit No. 58.

Hunter International Pty Ltd, on the other hand, advised that the US Army maintenance schedule for LACV-30s was very inefficient, relying on depot maintenance rather than on-site repair, and that the likely ratio of maintenance staff hours to operating hours on the Cocos (Keeling) Islands would be in the order of 5:1 or 500 staff hours maintenance for the estimated 100 hours of freight handling operations required per year. It was also noted that operating and maintenance costs for newly commissioned hoverbarges would be lower. *Submissions* p. 1046.

¹⁴⁵ *Transcripts* p. 905.

¹⁴⁶ *Submissions* pp. 974–75.

¹⁴⁷ *Submissions* p. 1046.

4.143 ACS recommended in 1992 that the suitability of hoverbarges for freight transport on the Cocos (Keeling) Islands be investigated and the Committee regrets that the recommended study was not done.

4.144 The Committee considers that a study needs to be undertaken to examine the suitability of hoverbarges for container transport on the Cocos (Keeling) Islands.

4.145 The Committee is of the view that the study should be done according to the parameters set out by ACS. In particular, the hoverbarge option should be explored with the cooperation of a manufacturer or consultant with experience in the commissioning of hoverbarges for commercial applications. The study would test the suitability of existing technology for the Cocos (Keeling) Islands.

4.146 The Committee is not prepared to recommend, unreservedly, the purchase of hoverbarges. However, Defence Acquisitions officers attached to the Embassy of Australia in Washington DC, advising DEST on possible shortcomings of the LACV-30 craft, nonetheless observed that the hovercraft concept was sound and proven by other [than LACV-30] craft.¹⁴⁸ The Committee is of the view that the option deserves more detailed examination.

Inter-island road

4.147 It was proposed that a road could be built around the South Keeling Islands, from West Island to Home Island via South Island with causeways or bridges to link all these islands. The map at figure 4.1 shows that there are numerous islands to be linked, with the major causeway or bridge to be built from West Island to South Island. Figure 4.3 indicates that the channel between West Island and South Island is the main inlet for water to flush the lagoon.

4.148 There were various engineering options proposed for the inter-island road, including the construction of steel piled, concrete decked bridges at an estimated cost of up to \$100 million. It appeared the favoured form of construction of the road was the establishment of causeways between the islands, at an estimated cost of \$40 to 60 million. Mr Graham Tresidder, Project Manager for ACS explained that this approach:

... is a less intrusive type of approach with an element of ... engineered trial and error in using various types of construction to create beaches and to pretty much replicate the kind of geomorphology and physiography that exists in the islands at the moment. It is basically an artificial beach-type causeway and the most likely way of getting the necessary sand would be by dredging the lagoon, I expect. ... I say trial and error because nature shapes the structure that you commence. You build a core and then you place sand on each side of it and you allow nature to create the beaches at the angle of repose which are natural for that type of construction.

¹⁴⁸ Exhibit No. 58.

We are encouraged to think that this is practical because we know that, for example, Home Island was connected to the next island on the north on which the cemetery used to be by putting, I believe, old 44 gallon drums with rubble in them and allowing a beach to generate itself and now the islands are joined. ... You need to be very careful about this type of approach, though, because the next island beyond that is Prison Island and the additional flow of water which used to pass between those islands now goes around it and Prison Island is being eroded away.¹⁴⁹

4.149 DEST¹⁵⁰ championed the inter-island road option. The road would eliminate the need for freight handling infrastructure on West Island. Containers could be unloaded at Home Island jetty and trucked to West Island. From DEST's point of view, the road could deliver significant benefits to the community quite apart from facilitating freight transfer, including:

- improved social interaction between the communities on Home and West Islands;
- elimination of duplicated facilities such as schools and fire stations; and
- access to water supply on South Island and opening of South Island to tourism.

4.150 However, it appears to the Committee that the inter-island road has a number of significant drawbacks.

- It was agreed that the proposed causeway construction would obstruct the flow of water into the lagoon to some extent, creating the risk of the lagoon not being flushed adequately.
- There would be significant ongoing maintenance costs, as well as the extraordinarily high capital cost.
- In any case, the inter-island road would not provide a ready solution to the existing freight handling problems since environmental assessments and feasibility studies which would be necessary prior to the construction of such a road could take several years.

4.151 The Committee was particularly concerned about the environmental impact of the proposed inter-island road.

¹⁴⁹ *Transcripts* pp. 323–24.

¹⁵⁰ *Submissions* p. 337.

4.152 Mr Jeff Tranter, Conservator, ANCA, was concerned that, if the lagoon was not adequately flushed this would result in damage to the fish population, which provides the Cocos Malay community with a major food source. There was also concern that the causeways would damage the ecology of the lagoon generally.

For the Cocos (Keeling) Islands such a structure would prove disastrous for the lagoon. The Cocos Malay community here depend, to a large extent, on the marine life of the lagoon as a food source, and the lagoon depends entirely on constant fresh water being pushed through the lagoon through the gaps in the islands to maintain the system. On occasions we have had dieback within the lagoon, the last major one being in 1983.

The key reasons for that are unsure but it seems to be linked to this *El Nino* event. I do not know whether people are aware of *El Nino*. It is a sea surface temperature reversal across the oceans. Basically, it was a period, here in the Cocos region, when south-east trades failed and high sea surface temperatures led to probably oxygen starvation of a large section of the lagoon and there were massive fish kills and coral kills. My guesstimate is that if you would block off those links between the islands that would happen immediately, or very quickly.¹⁵¹

4.153 Mr Tresidder, ACS, recognised the need to allow flushing of the lagoon and noted that the causeway route would have to be perforated with culverts or bridges to allow adequate flushing through.

4.154 The Committee is firmly convinced that the proposal for an inter-island road around the South Keeling Islands is fanciful, environmentally reckless, financially irresponsible and entirely undeserving of further examination. The Committee had difficulty accepting the inter-island road proposal as a serious option for freight handling on the Cocos (Keeling) Islands.

Jetty on West Island

4.155 There were various proposals for a jetty on West Island, including the two proposed by ACS in its 1992 Report. Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, proposed the construction of a two-armed jetty at Rumah Baru – one arm to accommodate small boats and passenger ferries, the other arm to comprise a hardtop jetty for container handling.¹⁵² A mobile crane and forklift, capable of lifting and moving fully loaded containers, would be required on the hardtop jetty.

4.156 ACS estimated the costs of construction of a jetty in the range of \$5 to \$9 million [including mobile crane] depending on the type of construction adopted. A jetty with a deck capable of supporting a crane and fully loaded containers would be in the higher price bracket.

¹⁵¹ *Transcripts* p. 577.

¹⁵² *Submissions* p. 9.

4.157 The chief benefits claimed for the jetty were as follows.

- A jetty on West Island would eliminate transshipment costs because the dumb barge could moor at West Island.
- A pile jetty was expected to cause minimal disruption of natural water flows.
- There would be ancillary benefits for improved ferry transport.

4.158 Although there were no serious objections raised in relation to the proposal for a new jetty on West Island, the Committee noted the following factors.

- Environmental impact assessments have not yet been done.
- Mr Clunies-Ross considered it could be necessary to dredge a ten metre wide channel in the lagoon with removal of some coral heads, to allow safe access to the jetty.¹⁵³
- The seagrass meadows near the West Island shore, where the jetty could be located, are known to be a fish nursery.¹⁵⁴

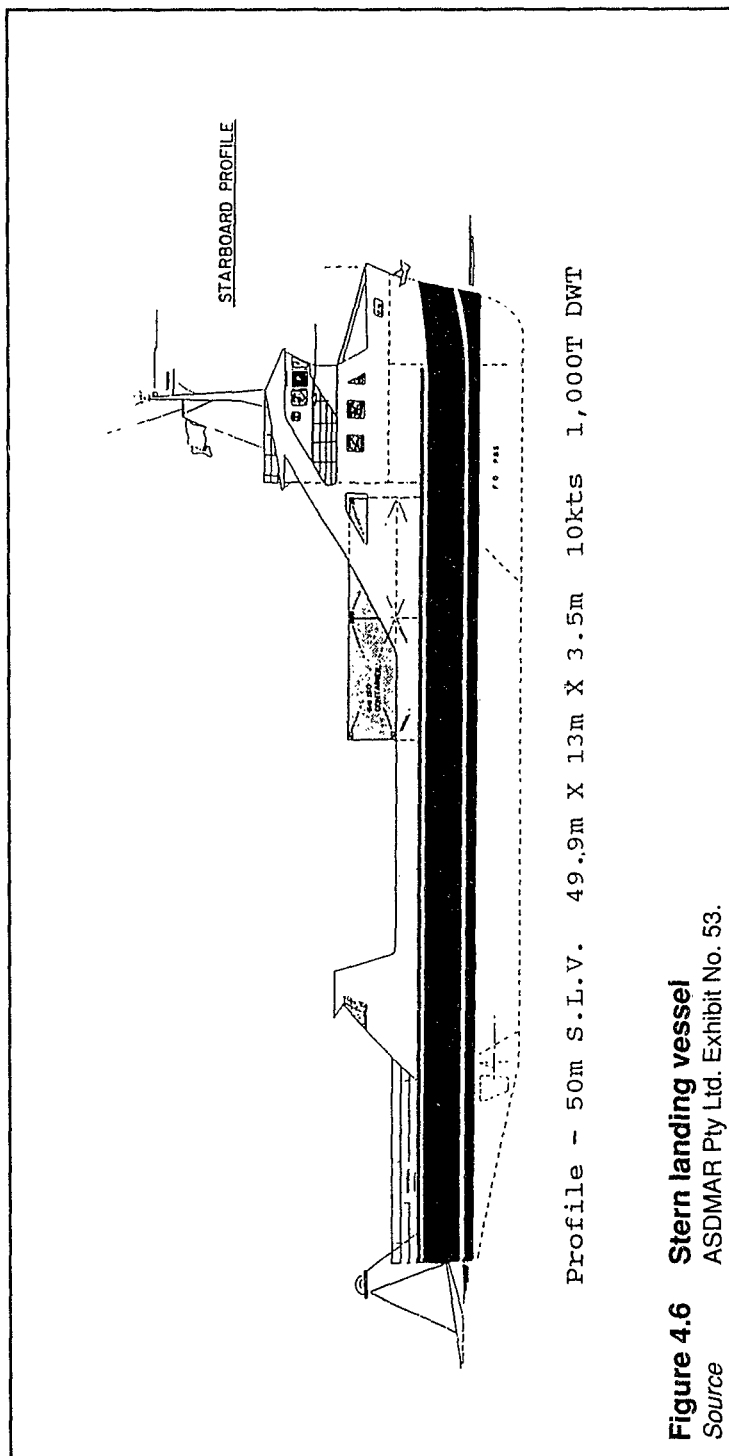
4.159 The Committee rejects the jetty option at this stage because of the high cost of construction compared to those options involving landing craft. The Committee would have no objection to further studies, including an environmental impact assessment, being carried out on the construction of a jetty as a long-term project.

Shallow hulled stern landing vessel and ramp

4.160 It was suggested to the Committee that a shallow hulled stern landing vessel, providing a dedicated shipping service to the Indian Ocean Territories, could come in over the reef in the lagoon, back into a landing beach on West Island and lower a ramp from the ship onto a ramp on the shore. Containers would be loaded on trailers using the ship's gantry crane and the trailers would be driven off the ship. This proposal was made by ASDMAR Pty Ltd, suggesting the use of a stern landing vessel as illustrated at figure 4.6.

¹⁵³ *Submissions* p. 9.

¹⁵⁴ Exhibit No. 15.



4.161 The claimed advantages of this proposal, in terms of landing containers on West Island, were as follows.

- The stern landing vessel would eliminate the need for costly freight handling infrastructure on the Cocos (Keeling) Islands. The requirements at the landing site would be a solid gradient ramp on the shore and three dolphins,¹⁵⁵ at an estimated cost of \$0.45 million.¹⁵⁶
- The stern landing vessel could unload freight in reasonably rough weather, provided the vessel is head-on into the oncoming swell.¹⁵⁷

4.162 The Committee did not receive any negative feedback about the vessel itself. However, the Committee is not convinced that the stern landing vessel would eliminate the freight handling problems on West Island. The Committee is concerned about the proposed construction of a concrete landing ramp at West Island. It appears that the stern landing vessel would require just such a construction.

4.163 If the stern landing vessel unloaded freight at Home Island where there is already a concrete landing, the need for containers to be transhipped would remain and there would still be a need for a landing craft – such as the amphibious landing vessel – to land containers on West Island.

4.164 Perhaps the principal benefit for the Indian Ocean Territories of the ASDMAR proposal was that it could offer a regular, more frequent, and dedicated shipping service to both Christmas Island and the Cocos (Keeling) Islands. The Committee is certainly not averse to the shipping proposal. However, in terms of simply landing freight on West Island with minimal degradation of the beach landings, the Committee has difficulty seeing how the stern landing vessel proposal is markedly more sophisticated than the operations of the *Biar Berjaya* with its drop front discharge of trailerised freight.

Conclusions and recommendations

4.165 There is no doubt that freight handling infrastructure on West Island is inadequate. Current freight handling procedures on West Island are risky, inefficient and environmentally damaging. The Committee recognises that something needs to be done immediately. However, the Committee considers that the construction of a concrete ramp at Rumah Baru is a step in the wrong direction.

¹⁵⁵ 'Dolphins' are mooring posts, resembling partly submerged telegraph poles, driven into the seabed.

¹⁵⁶ *Submissions* p. 1030.

¹⁵⁷ *Submissions* p. 1030.

4.166 DEST reported that, in its consultations with the Co-operative and the community, it had been generally agreed that the only two long term options which were acceptable were the inter-island road or a jetty.¹⁵⁸ The Committee would challenge this conclusion on the basis of the evidence put before this Inquiry.

4.167 The Committee is not convinced that fixed infrastructure – such as concrete landing ramps, causeways and jetties – is appropriate for freight handling on the Cocos (Keeling) Islands. This conclusion is based on the Committee's concern that the unique environment of the atoll should not be degraded, and also the Committee's assessment that high capital outlays and maintenance costs for major freight installations are not justified by the small freight volumes unloaded at the Cocos (Keeling) Islands. The Committee concludes that the appropriate system of freight handling for the Cocos (Keeling) Islands will continue to involve ship to shore transport of containers by barges or landing craft – that is, an emphasis on mobile as opposed to fixed infrastructure. The Committee notes that the advantage of either the amphibious landing vessel or hoverbarge, over the freight handling options involving fixed infrastructure, is that landing vessels have a resale value if they prove to be unsuitable on the Cocos (Keeling) Islands and/or could be deployed elsewhere.

4.168 The appropriate form of freight handling infrastructure for the Cocos (Keeling) Islands will depend on the type of shipping services provided to the Territory in the future. Beyond 1996, the type of shipping service to be provided to the Cocos (Keeling) Islands is an unknown variable. Should Stateships discontinue its liner service to the Cocos (Keeling) Islands, it is to be presumed that the dumb barge owned by Stateships could be taken away also.

4.169 However, this uncertainty beyond 1996 is not an excuse for inaction in the present when the freight handling procedures on the Cocos (Keeling) Islands and particularly on West Island are plainly inadequate. Regardless of the type of shipping service that may be provided in the future, the expenditure now recommended by the Committee will not be wasted. Moreover, the solution recommended by the Committee can be implemented in the immediate future, guaranteeing that the investment will provide significant benefits to the Cocos (Keeling) Islands community at this important stage of construction of the new resort and infrastructure.

4.170 The Committee believes that the amphibious landing vessel is the preferred option for freight handling on West Island.

RECOMMENDATION 19

4.171 The Committee recommends that the Commonwealth call tenders for the purchase of an amphibious landing vessel to assist the landing of containers on the Cocos (Keeling) Islands subject to a favourable environmental impact assessment. Further, the Committee recommends that the amphibious landing vessel be the prescribed method of unloading freight on West Island.

¹⁵⁸ *Transcripts* p. 282.

4.172 A crane or boatlift frame on a hardstand – to lift containers off the amphibious landing vessel and to lower containers onto trailers, would be required.

RECOMMENDATION 20

4.173 The Committee rejects proposals for an inter-island ring road for the Cocos (Keeling) Islands and recommends that no further money be invested in studies on an inter-island road or causeways between the Islands.

Air Freight

Effectiveness and cost of air service

4.174 On 4 September 1993, Ansett commenced a regular public transport service to the Cocos (Keeling) Islands which departs from Perth international airport on Wednesdays and Saturdays. The aircraft operated is a BAe 146 with a capacity of about 70 seats. Flying time from Perth to the Cocos (Keeling) Islands is approximately 4½ hours. The Cocos (Keeling) Islands are dependent on the air service for the delivery of perishable foods, emergency machinery parts, medical supplies and mail.¹⁵⁹

4.175 Air freight is carried at rates ranging from \$2.40 kg for newspapers and \$3.00 kg for large consignments of perishables to \$9.95 for priority freight. The standard rate for freight is \$4.75 kg. There is also a consignment fee of \$30 per parcel. The freight rates to the Cocos (Keeling) Islands are identical to those to Christmas Island shown in table 3.5. The comparison of these rates with air freight rates to different remote Australian communities is shown in table 3.6.

4.176 The freight capacity on the flights to the Indian Ocean Territories is 1800 to 2000 kilograms, depending on passenger loads. However, some of this capacity is taken up by excess baggage. Ansett reserves 300 kilograms of freight capacity on each flight to the Cocos (Keeling) Islands for perishables for the Co-operative. The Co-operative gave evidence that this commitment had been met on every flight.¹⁶⁰ Perth-based staff from the Co-operative go to Perth airport on Tuesday and Friday nights, before the day of departure of flights to the Cocos (Keeling) Islands, to negotiate the best possible uplift of freight to the Cocos (Keeling) Islands.¹⁶¹

¹⁵⁹ Ansett advised that freight space was not reserved for air mail. *Transcripts* p. 206. Australia Post advised the Committee that it had diverted mail for the Cocos (Keeling) Islands onto Sempati flights and that this was expected to free capacity on Ansett flights for an enhanced mail service to the Cocos (Keeling) Islands. *Transcripts* p. 1051.

¹⁶⁰ *Transcripts* p. 497.

¹⁶¹ *Transcripts* p. 497.

4.177 The Co-operative considered the Ansett service to be excellent.¹⁶² Other parties on the Cocos (Keeling) Islands were concerned that freight capacity was inadequate and non-priority air freight was often offloaded.

4.178 Ansett and the Co-operative agreed that any extension of air services would be dependent on the economic development of the Cocos (Keeling) Islands and, in particular, growth in tourism. Ansett pointed out that it can only market the Cocos (Keeling) Islands to the extent that accommodation is guaranteed for its passengers and the Co-operative has set aside fifteen rooms in the West Island Lodge for this purpose, which were not always filled. The Co-operative's Plantation Village Tourist Resort, under construction at the time of writing, would provide more tourist accommodation. For its part, the Co-operative wanted some assurance from Ansett that, if there were to be major investment in tourist accommodation, then Ansett would increase capacity on the route to fill those beds. Ansett was said to be closely monitoring yield management on the route and concerned that it could not offer too many discounted tourist package fares. The General Manager of the Co-operative, Mr Ron Grant, observed that both Ansett and the Co-operative understood the commercial risks faced by the other party, but that 'both parties will have to get their feet wet to promote [tourism to the Cocos (Keeling) Islands]'.¹⁶³

4.179 Ansett has negotiated low freight rates for return freight from the Cocos (Keeling) Islands. For example, fresh coconuts are exported to Perth on Ansett flights. Fresh vegetables from the Cocos Farma operation are now flown to Christmas Island.¹⁶³

4.180 The Cocos (Keeling) Islands have a modern airport terminal which was opened in October 1992. Freight is unloaded from the aircraft onto trolleys and conveyed to the terminal by tractor. There are facilities at the terminal for the storage of chilled, frozen and hazardous freight.

Conclusion

4.181 The Committee is impressed with the air freight service provided by Ansett to the Cocos (Keeling) Islands. The Committee considers air freight handling facilities to be generally of a high standard.

¹⁶² *Submissions* p. 86.

¹⁶³ *Transcripts* p. 473.

Chapter 5 Norfolk Island

Background

Introduction

5.1 Norfolk Island is located in the South Pacific, approximately 1500 kilometres from Brisbane off the east coast of mainland Australia. Norfolk Island is an isolated volcanic outcrop, which has been eroded by wave action to form a rugged coastline of high cliffs. A map of Norfolk Island appears at figure 5.1.

5.2 Norfolk Island was named by Captain James Cook in 1774. Norfolk Island had been uninhabited when Cook landed, but evidence of previous occupation by Polynesians has since been found. Captain Cook recommended that Norfolk Island be secured for the British Crown, because he considered that the tall pines and flax on Norfolk Island could be harvested to make mastheads and sailcloth.

5.3 In 1788, Lieutenant Philip Gidley King established a penal settlement on Norfolk Island. The settlement grew to 1100 people but ultimately failed to become self supporting. A supply ship, the *HMS Sirius*, flagship of the First Fleet, was wrecked on the reef at Kingston in 1790. From 1806 the residents of Norfolk Island were gradually transferred to Van Diemen's Land [Tasmania]. The first settlement was abandoned in 1814. A second penal settlement was established in 1825 and Norfolk Island continued as a penal colony until 1855, by which time the convict population had grown to around 2000.

5.4 In 1856, the entire population of Pitcairn Island, descendants of the *HMS Bounty* mutineers, transferred to Norfolk Island.

5.5 Norfolk Island became an external Territory of the Commonwealth of Australia when the *Norfolk Island Act 1913* came into operation in July 1914. Prior to this, Norfolk Island had been administered by the Governor of NSW.

5.6 According to the Norfolk Island Government, a report to the Parliament of Australia in 1914 identified lack of harbour facilities as a factor which had inhibited enterprise and trade on Norfolk Island, stating that:

... Norfolk Island has suffered severely in the past through the defective opportunities which nature has supplied for the safe and speedy access from ships to shore. ... It is certain that unless some substantial improvements can be effected, the probabilities of the expansion of trade in the future will be seriously lessened.¹

Terms of Reference

5.7 The Terms of Reference for this current Inquiry give the Committee a broad brief to examine all aspects of transport to Norfolk Island, as well as passenger and freight handling infrastructure on Norfolk Island. The Committee's Inquiry has been consciously directed towards an examination of concerns which the Norfolk Islanders themselves have raised with the Committee.

5.8 This chapter considers the following issues raised by Norfolk Islanders.

funding/planning/management

- Who is going to pay for new infrastructure on Norfolk Island?
- Who will be responsible for strategic planning of Norfolk Island's future shipping and air service requirements and the development of policies to achieve the desired levels of service?
- Who will own and operate freight handling infrastructure?

sea

- What sort of shipping service(s) will be provided to Norfolk Island after the existing services cease to operate by December 1995?
- What can be done about the perceived serious inadequacies of the lighterage service on Norfolk Island?
- Given that Norfolk Island's jetties and lighterage equipment are in poor repair and unequal to modern freight handling operations, what would be the best option for new sea freight handling infrastructure on Norfolk Island?

¹ Submissions p. 388.

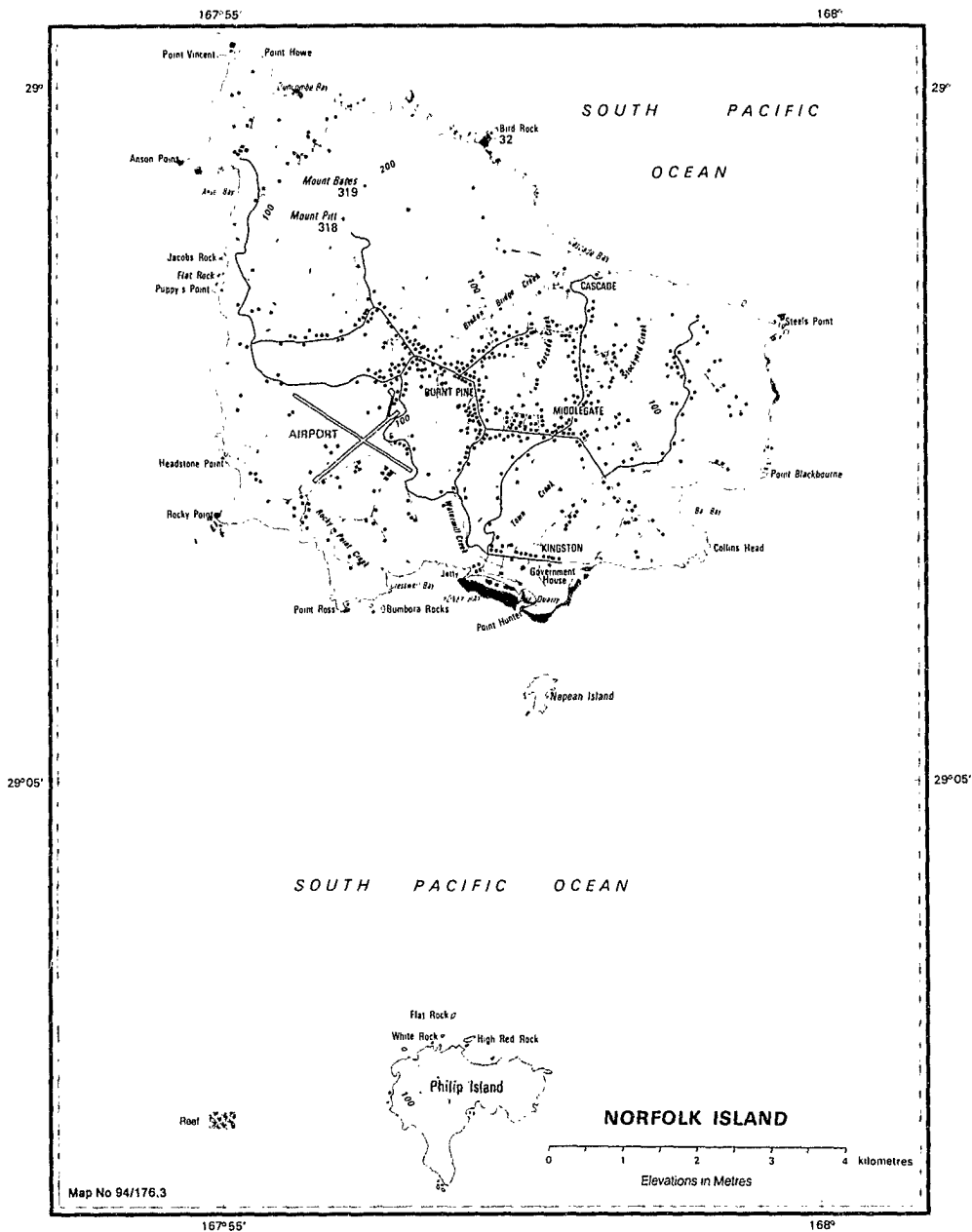


Figure 5.1 Norfolk Island
Source AUSLIG

air

- Are **passenger air services** to Norfolk Island adequate to sustain the desired limited growth in tourist numbers?
- Do existing air services to Norfolk Island provide sufficient **air freight capacity**?
- What options are there for **improving air services** to Norfolk Island?
- Is **airport infrastructure** on Norfolk Island adequate?
- Why is Australia Post proposing to increase **parcel post rates** to Norfolk Island?

5.9 For each of these issues, this chapter outlines the evidence presented to this Inquiry, then gives the Committee's own conclusions and recommendations, focussing in particular on what part the Commonwealth might play in providing solutions.

5.10 Transport and related infrastructure for Norfolk Island has been an issue for many decades and the subject of numerous reports to both the Commonwealth and Norfolk Island Governments. It is not pertinent to review all the recommendations that have been made over the years. However, the Committee especially notes the recommendations of a 1976 Royal Commission report² which covered issues similar to the ones being considered in this Inquiry.

The Nimmo Royal Commission

5.11 Sir John Nimmo conducted a Royal Commission inquiry into Norfolk Island in 1975 and 1976, with a reference to examine, in the main, Norfolk Island's constitutional relationship to Australia and the most appropriate form of administration for Norfolk Island in the future.

5.12 In his report, Sir John Nimmo also made a number of findings on Norfolk Island's infrastructure and transport services of particular relevance to this present Inquiry, including those outlined below.

- It was recommended that Qantas be relieved of responsibility for the Sydney – Norfolk Island route as soon as practicable.

At that time, Qantas had been sustaining significant losses on the Norfolk Island route. Qantas had been flying the DC4 Skymaster to Norfolk Island but this aircraft had become obsolete and the airport on Norfolk Island had been unable to accommodate jet aircraft.

² Nimmo, John A, *Norfolk Island – Royal Commission Report* (Commonwealth Government Printer, 1977).

Sir John Nimmo concluded that:

... the operations of a long-haul international carrier do not lend themselves to economic absorption of what is a relatively short-haul and isolated type of service, requiring the use of an airport which is well below world standards, and likely to remain so.³

- It was recommended that only one airline operator should take over from Qantas, that the operator should be in a position to ensure continuity of service by having available suitable numbers of aircraft and that the operator should be able to integrate the Norfolk Island route with other routes so that tariffs could be kept to a minimum and high standards of service maintained, without subsidisation by the Commonwealth Government.
- It was recommended that the airport be upgraded by Australian Army and Royal Australian Air Force engineers to enable the airport to cater for both immediate and foreseeable demands and to yield maximum flexibility in the use of both passenger and freight carrying aircraft, that is, to enable heavier jet aircraft to be employed if and when necessary.
- It was recommended that the construction of a small boat harbour facility be investigated.

Sir John Nimmo anticipated that improvements in air services would diminish the need for major seaport facilities on Norfolk. He reported:

The physical difficulties which would be encountered in constructing a worthwhile harbour at Norfolk Island would be enormous, and the cost of undertaking such construction would be prohibitive, both in absolute terms and also when weighed against the benefits received. ... However, in saying this, one should take care to distinguish between such a seaport on the one hand and a small boat harbour on the other. The Commission recommends that the latter facility receive careful investigation.⁴

- It was recommended that the Commonwealth arrange for one shipping line to be assured of the Sydney–Norfolk business subject to freight rates being carefully controlled.

5.13 Only the recommendations concerning Qantas and the upgrading of the airport have been carried into effect.

³ Nimmo, *op.cit.*, p. 295.

⁴ *Ibid.*, p. 307.

5.14 Mr Peter Warner, Director, W Islands Line, one of the shipping lines serving Norfolk Island, gave evidence to this present Inquiry, pointing out that the Commissioner's recommendations that there should be one licensed carrier from mainland Australia servicing Norfolk Island and that an improved boat harbour should be constructed have been ignored.⁵

5.15 The Committee is conscious that the nature of the transport problems faced by Norfolk Island has not changed appreciably since Sir John Nimmo reported in 1977. Norfolk Island is still disadvantaged by geographic isolation, lack of economies of scale in freight and the physical limitations of Norfolk Island's landing sites.

5.16 What has changed since Sir John Nimmo reported, as a direct outcome of his report and recommendations, is the nature of the relationship between the Commonwealth of Australia and Norfolk Island. Before making recommendations on transport matters, the Committee outlines the legislative and financial relationship between the Commonwealth and Norfolk Island, since this relationship will dictate, to some extent, the form and extent of recommendations that may be made.

5.17 The need to find solutions to Norfolk Island's transport problems is now urgent, especially in relation to shipping and sea freight handling. Norfolk Islanders are facing the imminent cessation of established shipping services, coupled with the realisation that the Island is simply not equipped to accommodate modern shipping. Norfolk Island's freight system was described to the Committee as being at the 'mule-pack' stage.⁶

5.18 The Committee stresses the gravity of the crisis confronting Norfolk Island as the result of decades of procrastination on transport issues. If action is not taken on shipping and infrastructure for Norfolk Island as a matter of urgency, the likely result is that Norfolk Islanders will be forced to accept any form of inferior freight service that may be offered on whatever terms are offered.

5.19 Transport services and infrastructure are of vital importance to Norfolk Island. Norfolk Island sources most of its requirements from mainland Australia or New Zealand. Virtually everything needed to promote and sustain the major industry on Norfolk Island, tourism, is shipped or flown into Norfolk Island – including, of course, duty-free merchandise. The Committee was informed that there had been, in the past, shortages of staple food items and other necessities, placing particular stress on residents and also the hospitality industry.⁷

⁵ *Transcripts* p. 100.

⁶ *Submissions* p. 173.

⁷ *Submissions* p. 220.

Self government

5.20 The Terms of Reference for this Committee's Inquiry require that it have regard to the self governing status of Norfolk Island.

5.21 At the beginning of the Inquiry program, the Norfolk Island Government submitted that the Inquiry presented

... an opportunity to devise ways in which the Commonwealth and the Government of Norfolk Island can jointly achieve solutions which will not in any way compromise the traditions and philosophies held by the Government and people of Norfolk Island.⁸

5.22 However, the Hon Michael King MLA, representing the Norfolk Island Government at a public hearing towards the end of the Inquiry on 21 November 1994, considered the Committee's role to be confined to recommendations about Commonwealth funding of infrastructure on Norfolk Island. When asked what he saw as the Committee's role, he replied:

That is very difficult for me to answer because I was not quite sure in my mind originally where you were going to go to, and I might have expressed those views in my earlier evidence. It has become somewhat confusing, obviously, for all of us. I believe that what facilities are put and where, are more matters for the Norfolk Island government to resolve, having regard to the wishes of the community. I guess if there is any support to be offered by the Commonwealth in terms of funding or grants or things of that nature, there may be a role for the committee to make some recommendations in that area.⁹

5.23 The Committee visited Norfolk Island twice in the course of this Inquiry, once in January 1994 for informal discussions with as many residents of Norfolk Island as possible and again in May 1994 to conduct public hearings. The Sixth Norfolk Island Legislative Assembly was dissolved and the Seventh Assembly elected just prior to the Committee's public hearings on Norfolk Island. The Committee had already met with members of the Sixth Legislative Assembly in January and was able to arrange to meet the members of the Seventh Legislative Assembly in May.

5.24 The Committee is mindful of the legislative arrangements under which Norfolk Island is governed.

5.25 The *Norfolk Island Act 1979*, under which the Territory is now governed, was designed to give Norfolk Island self government consistent with its constitutional status as an Australian Territory. The *Norfolk Island Act 1979* was a direct outcome of the Royal Commission headed by Sir John Nimmo which had reported to the Commonwealth Government in 1977 on the constitutional relationship of Norfolk Island to Australia and had proposed the most appropriate form of future administration for Norfolk Island.

⁸ *Submissions* p. 366.

⁹ *Transcripts* p. 1017.

5.26 The Act provides for a Commonwealth appointed Administrator, an elected Legislative Assembly of nine members and an Executive Council of the Assembly (consisting of those members with ministerial type functions). The Administrator is required to act in accordance with the advice of the Executive Council in relation to 'Schedule 2' matters covering functions typically carried out by State and local governments in Australia. With respect to certain 'Schedule 3' matters, including customs, fishing and immigration, generally the sole responsibility of the Commonwealth Government, the Administrator will approve decisions of the Norfolk Island Government only if no decision to the contrary is made by the relevant Commonwealth Minister.

5.27 Commonwealth laws do not apply to Norfolk Island unless the inclusion of Norfolk Island is explicitly stated in the legislation. The Norfolk Island Government has the power to make laws for the peace, order and good government of the Territory. It cannot raise its own defence force, coin money, or acquire property on other than just terms. The Norfolk Island Government is responsible for a wide range of public functions which would be provided on the mainland by Commonwealth, State and local governments – including immigration, quarantine, social security, education, health care, registration of companies, electricity supply, street lighting, public works, airport and harbour facilities.

5.28 Following the passage of the *Norfolk Island (Electoral and Judicial) Amendment Act 1992*, Norfolk Island residents obtained optional rights to enrol to vote in Federal elections in the electorate of Canberra, or in any other mainland electorate with which they could establish a special link.¹⁰

5.29 The Committee recognises the self governing status of Norfolk Island and accepts that transport infrastructure is principally a Norfolk Island Government responsibility. However, the Committee is also conscious that the Norfolk Island Legislative Assembly and the Norfolk Island Government were established by Commonwealth legislation and that the Commonwealth has a continuing responsibility to ensure that the administration of Norfolk Island meets the needs and aspirations of Australian citizens living in the Territory. The Commonwealth's general interest in, and responsibility for, Norfolk Island is increased by Australia's rights and responsibilities in relation to the Exclusive Economic Zone (EEZ) surrounding the Island. In this chapter, the Committee examines the adequacy of transport to Norfolk Island and strategies for improving freight and passenger services, including options for upgrading infrastructure.

¹⁰ Pursuant to section 95AA of the *Commonwealth Electoral Act 1918*, qualified Norfolk Islanders can vote in a one-Territory division or in the subdivision in which they were last entitled to be enrolled or in a subdivision for which next of kin are enrolled or in the subdivision where they were born or in any other subdivision with which they can establish a close connection.

Financial relationship between the Commonwealth and Norfolk Island

5.30 The Department of Finance submitted that the Committee should examine the fundamental financial arrangements between the Commonwealth and Norfolk Island before making any recommendations on Commonwealth expenditure for Norfolk Island.¹¹ The Department of the Environment, Sport and Territories (DEST) gave an indication of its attitude in evidence to the Inquiry:

In relation to the question of whether the Commonwealth would contribute [to the cost of new harbour infrastructure], the problem faced by the Norfolk Island government at the moment is that they are off budget. Part of their self-governing arrangement is that they would be self-funding. There have been occasions where the Commonwealth has contributed money and I recall some sewerage works in the mid-1980s. But I guess the difficulty they have, given the self-funding arrangements, is that they have got to convince the Commonwealth that it should hand over money when they are not contributing to revenue.¹²

5.31 The residents of Norfolk Island are not subject to Commonwealth income taxation on income earned on Norfolk Island, nor do Commonwealth indirect taxes apply to them. Norfolk Islanders are liable for personal income tax on income earned outside Norfolk Island. For the 1992–93 financial year, the total net tax assessed for the individual taxpayers recording 2899 [Norfolk Island] as their residential postcode on their income tax returns was \$277 000.¹³

5.32 The Norfolk Island Government does not receive any general purpose grants from the Commonwealth. However, the Commonwealth contributes to the operating costs of the Administrator's Office, the preservation of historical areas, the management of the national park and botanical garden (by the Australian Nature Conservation Agency), meteorological monitoring, also fisheries surveillance. Part of the law enforcement budget and some court costs are borne by the Commonwealth. A DEST survey of Commonwealth Departments with responsibilities on Norfolk Island found that the total Commonwealth expenditure on Norfolk Island in 1991–92 was around \$3.4 million, including the DEST budget of over \$1 million.¹⁴

¹¹ *Submissions* p. 205.

¹² *Transcripts* p. 945.

¹³ Exhibit No. 73.

¹⁴ Exhibit No. 14.

5.33 The Norfolk Island Government can raise its own revenue. Taxes and levies currently raised or which have been raised in the past include:

- company registration fees;
- accommodation and/or passenger levies;
- liquor licence fees levied on all liquor merchants;
- charges for: lighterage, Crown leases, conveyancing, electricity, postal services, telecommunications, car registration, court fees and timber royalties;
- customs duty on a broad range of imported goods;
- departure fees;
- financial institutions levy;
- stamp duty on cheques; and
- absentee landowners levy.

5.34 Norfolk Island budget revenue is in the order of \$7.5 million per year, out of which the Norfolk Island Government must fund Norfolk Island's own health, education and welfare systems, a major proportion of the law enforcement budget, as well as infrastructure.¹⁵

5.35 Under the *Norfolk Island Act 1979* the Norfolk Island Government can borrow money from the Commonwealth Government on terms and conditions approved by the Minister for Finance. The Commonwealth Treasurer must give approval for any other borrowings or capital raisings and may, on behalf of the Commonwealth, guarantee such borrowings.

Funding new infrastructure

5.36 The Committee always considered that this would be the most important issue in the Inquiry as far as Norfolk Island was concerned.

5.37 There was general agreement that infrastructure for unloading passengers and freight by sea on Norfolk Island was primitive and in poor repair, which, in turn, prevented Norfolk Island from obtaining modern shipping services. It was apparent the Norfolk Island Government could not afford to fund substantial new port infrastructure.

5.38 The Hon Michael King MLA, Minister for Tourism and Works in the Norfolk Island Government, said that, 'on the question of the freight handling facilities, it is fair to say that we have been hampered by lack of funds'.¹⁶ This is somewhat of an understatement. Not only does the Norfolk Island Government lack funds for construction of harbour infrastructure or the purchase of new freight handling equipment, but there also appears to have been limited finance for preparatory studies.¹⁷

¹⁵ *Submissions* p. 241.

¹⁶ *Transcripts* p. 863.

¹⁷ *Transcripts* pp. 864–66.

5.39 In evidence, Mr King admitted that freight handling on Norfolk Island had been an issue for about 120 years. However, the necessary technical information still had not been collected to put the Norfolk Island community in a position to conduct informed debate on the most appropriate form of freight handling infrastructure for Norfolk Island.¹⁸

5.40 Mr King offered his personal view that Commonwealth funding of new infrastructure on Norfolk Island would be welcomed.¹⁹

5.41 However, Mr King maintained that it was necessary to conduct proper technical studies and to estimate costs of new infrastructure before talking about sources of funding.²⁰ The Committee might have been persuaded by this view were it not for the fact that the necessary studies have not been undertaken for lack of funds and there is no definite schedule for examination of freight handling alternatives.²¹ The Committee fears that the lack of attention to Norfolk Island's freight handling facilities could persist indefinitely whereas the need for action is urgent.

5.42 The Committee recognises that the problem of limited funds for harbour infrastructure and general neglect of long term planning for harbour infrastructure has not arisen entirely since the grant of self government. It was claimed that, when self government had been extended to Norfolk Island, the freight handling infrastructure had been handed over in a dilapidated condition.²² However, it could also be argued that the infrastructure that was in place in 1979, including the jetties at Kingston and Cascade, has not been adequately maintained over the last fifteen years, and that the Norfolk Island Government has invested only limited capital in new freight handling equipment.

5.43 The problem of lack of funds has generated a further problem on Norfolk Island – namely a lack of leadership and strategic planning for transport services and infrastructure.

¹⁸ *Transcripts* p. 864.

¹⁹ *Transcripts* p. 863.

²⁰ *Transcripts* pp. 864–65.

²¹ In the minutes of an informal meeting of 7 November 1994 of most Members of the Norfolk Island Legislative Assembly, tabled at the public hearing on 21 November 1994, it was agreed in principle that funds should be made available to engage a shipping consultant and to undertake further technical studies, including computer simulations of the range of movement of a stern landing vessel against a landing ramp at Cascade and Ball Bay, with or without breakwaters. Exhibit No. 78.

²² *Transcripts* p. 885.

5.44 The Committee heard evidence that no-one on Norfolk Island was taking responsibility for addressing freight handling problems. The Norfolk Island Chamber of Commerce Inc. (the Chamber of Commerce) set up a Shipping and Lighterage Sub-committee to address freight handling problems, at least partly out of a sense of frustration that the Norfolk Island Government was not moving quickly enough to address the looming problems with sea freight.²³

5.45 Mr Ric Robinson, a former Minister in the Norfolk Island Government, noted that a Royal Commission Report of 1926 had drawn attention to the danger of falling rocks at Cascade pier – a problem that had not been solved by 1994.²⁴

5.46 Mr John Wardell, Director of Becfab Equipment Pty Ltd (Becfab), a supplier of freight handling equipment to Nauru and other islands found it difficult to present a proposal for the use of an amphibious landing vessel on Norfolk Island because Becfab could not identify the responsible party.

We found it very difficult to nail someone. No-one knows who will be responsible – no-one knows what the solutions will be. There is no-one to pin the tail on the donkey, so to speak and say, 'Here is my sales target.'

... They [the Norfolk Island Government] pushed us off to the Chamber of Commerce. The Chamber of Commerce said, 'So and so thinks he might try and do it himself.' The ball got passed around.²⁵

5.47 Becfab carries out feasibility studies and formulates proposals for freight handling infrastructure in Vietnam, Indonesia, the Philippines as well as in Australia, but was discouraged from taking an active interest in Norfolk Island because of a lack of leadership in regard to freight handling.

... We do spend money on doing those sorts of studies and reports. We have done some very significant studies of that nature. So a little trip to Norfolk Island is small potatoes really as far as the cost of a tender proposal is concerned. The thing that stops us doing it straight off is that we do not have anyone to target the report or study at.²⁶

²³ *Submissions* pp. 131–32.

²⁴ *Submissions* pp. 893–96. Mr Robinson had formulated a plan to stabilise the cliff face when he was Minister in the Norfolk Island Government with responsibility for the foreshores of Norfolk Island. At the public hearing on 21 November 1994, Hon Michael King MLA, Minister for Tourism and Works in the Norfolk Island Government, admitted that the Cascade cliff was unsafe and represented a 'dark cloud hovering over the lighterage operation at the Cascade pier'. The engineering specifications had been put together for the benching of the cliff face to stop falling rocks but no decision had been taken on when this would be done. Mr King observed that it was a large and expensive project but that ultimately, something would have to be done about it. *Transcripts* p. 1018.

²⁵ *Transcripts* p. 176.

²⁶ *Transcripts* p. 176.

5.48 Mr Stuart Ballantyne, Managing Director, ASDMAR Pty Ltd, reported similar frustration in dealing with Norfolk Island.

ASDMAR are sea transport consultants and naval architects. ... We did offer a solution some years ago to Norfolk Island and when the expressions of interest actually came out [in April 1994] we thought we would revive it. So we took the time and effort to go out to the island and meet with the administration and give them a presentation of what we thought was a fairly simple but effective solution. It is not anything high-tech, in fact it is probably more described as low-tech. It is worked on the KISS principle. It works elsewhere, so we thought, okay, we could apply it to this particular trade so that the island could then embrace containerisation and bring itself into the 20th century. ...

I went back to the island some weeks after meeting with the committee in Canberra [in June 1994]. I kept dialogue with Mike King's secretary and the interest or urgency with this expression of interest seemed to have gone off the boil, shall we say. Cook Islands Line had established a new ship, and we were advised that the Norfolk Island administration would not be all that keen on our expression unless there was someone else willing to run with it—a bigger partner. ... We hunted round for a while, and we know a lot of the players in the industry, and we said, 'We believe there is an operation going.' We had one major Australian trading company which said, 'We are interested in discussing this.'

We then went back to the island, and met again with the Assembly. The Assembly had basically put it on hold. It seemed to have lost its urgency and, while they agreed that the concept was workable, it was not the right timing. We got the distinct impression that it was a case of 'Don't ring us, we'll ring you,' so we left it at that.²⁷

5.49 ASDMAR eventually completed its proposed feasibility study for Norfolk Island – as consultant to a newly formed private company, Norfolk Sealink.

5.50 At the public hearing in Brisbane on 21 November 1994, the Committee took evidence from Norfolk Sealink and from the Hon Michael King MLA, Minister for Tourism and Works in the Norfolk Island Government. It emerged that Norfolk Sealink and the Government had each decided to own and operate a new shipping service to Norfolk Island. The Norfolk Sealink proposal was considerably further advanced.

²⁷ *Transcripts* pp. 982–84. The Hon Michael King MLA explained that the Norfolk Island Assembly's perceived lack of interest was due to concern about whether or not a breakwater would be required at Ball Bay to permit safe unloading operations from a stern landing vessel throughout the year and also because of a belief that technical studies should be completed before any choice of new freight handling infrastructure was made. *Transcripts* pp. 1002–03.

5.51 The Norfolk Island Government proposal, in effect, would depend on the approval of, or assistance from, the Commonwealth. Mr King suggested the Norfolk Island Government would have no difficulty going out into the commercial lending area for around \$5.5 million to purchase a stern landing vessel.²⁸ In fact, the Norfolk Island Government cannot borrow money in the market without the explicit approval of the Commonwealth Treasurer and on terms approved by the Treasurer.²⁹

5.52 The minutes of an informal meeting of most Members of the Norfolk Island Legislative Assembly on 7 November 1994, provided to the Committee by Mr King at the public hearing on 21 November 1994, indicated that the Norfolk Island Government would be looking to the Commonwealth for an interest-free loan to finance the purchase of a stern landing vessel and associated capital works.³⁰

5.53 The Committee's deliberations on 'who should pay' for any new infrastructure on Norfolk Island took on a heightened importance. It became apparent that the issue of 'who should fund new infrastructure' could, in effect, determine the outcome of the competing bids to operate the shipping service to Norfolk Island.

5.54 Starting from the premise that funds must be invested in shipping and/or freight handling infrastructure on Norfolk Island in the immediate future,³¹ three main sources of funding for new freight infrastructure were put to the Committee:

- Commonwealth assistance;
- private enterprise funding and operation of shipping/infrastructure; and
- Norfolk Island Government funding.

5.55 Each of the potential sources of funding is examined below.

²⁸ *Transcripts* pp. 1006 & 1018–19.

²⁹ *Norfolk Island Act 1979*, section 50C. Loan Council approval for certain loans would also need to be obtained.

³⁰ Exhibit No. 78.

³¹ Estimates of the amount of money which could be spent on new freight handling infrastructure for Norfolk Island ranged from several million dollars for the purchase of motorised barges and a crane, or the purchase of a stern landing vessel, to tens of millions of dollars for a modern harbour including a land-backed wharf. The Committee comments later on the appropriate level of expenditure on freight handling infrastructure for Norfolk Island.

Commonwealth assistance

5.56 The Norfolk Island Government indicated to the Committee that it would welcome financial assistance from the Commonwealth – in the form of a 'loan on reasonable terms'³² or an outright grant.³³

5.57 DEST submitted that the funding of a harbour at some of the forecast costs would be beyond the immediate capacity of the Norfolk Island Government and community. DEST identified a range of possible financial assistance measures which could be extended by the Commonwealth Government,³⁴ namely:

- an outright grant;
- subsidised freight rates for a period of time;
- long term interest-free or low-interest loans; and
- defence assistance.³⁵

5.58 Arguments were put to the Committee that it would be appropriate for the Commonwealth to contribute to the funding of infrastructure on Norfolk Island for three reasons, namely:

- that the Commonwealth had not discharged an implicit obligation to upgrade infrastructure before Norfolk Island was granted self government;
- that Norfolk Island contributes to Commonwealth revenue; and/or
- that Norfolk Island is part of Australia and cannot be abandoned by the Commonwealth.

5.59 The Norfolk Island Government drew the attention of the Committee to the comparative treatment, by the Commonwealth, of the Northern Territory and Norfolk Island on the grant of self government in 1978 and 1979 respectively. Under the terms of the *Memorandum of Understanding in respect of financial arrangements between the Commonwealth and a Self-Governing Northern Territory*, the Northern Territory was awarded a grant of \$20 million in the event that it did not receive a special assistance grant of a greater amount on the recommendation of the Commonwealth Grants Commission. The Norfolk Island Government submitted that the paths to self

³² *Transcripts* p. 1006.

³³ *Transcripts* p. 863.

³⁴ *Submissions* p. 343.

³⁵ The submission from the Minister for Defence indicates support for minor improvements to the port facilities at Norfolk Island, but no offer of financial assistance. *Submissions* pp. 672–73.

government taken by the two Territories were similar yet no consideration was given to providing grants of any kind to Norfolk Island.³⁶

5.60 Ms Merval Hoare, Norfolk Island historian, pointed out to the Committee that, in the late 1970s, Norfolk Islanders spurned any offers of financial assistance from the Commonwealth Government.³⁷

5.61 Mr Ric Robinson and Mr John Brown, Ministers in the Norfolk Island Government at the time they made their joint submission to the Inquiry, proposed the payback of certain Commonwealth revenue to the Norfolk Island Administration to fund harbour infrastructure, including:

- the estimated proceeds from the '200 mile economic zone' around Norfolk Island; and
- a share of income tax paid by mainland residents on income earned on Norfolk Island and tax paid by Norfolk Island residents on mainland-sourced income.³⁸

5.62 DEST took the view that:

As to whether or not any such (Commonwealth) assistance should be provided, the bottom line, I suppose, is that Norfolk Island is part of Australia and a large proportion of the community are Australian citizens. The alternative may be that, if the economy on Norfolk Island is allowed simply to disintegrate because of a lack of facilities, at some time in the future presumably the Commonwealth may at least have some pressure on it to bail the community out and that may result in considerably more than what we are talking about [that is, the cost of harbour infrastructure].³⁹

5.63 There is no question that the Commonwealth has an obligation to all of its external Territories, including Norfolk Island. The Committee rejects any suggestion that Norfolk Island can be cut adrift from the mainland as far as the funding of major infrastructure is concerned. The Norfolk Island budget cannot fund major infrastructure as has become quite clear in this Inquiry.

5.64 The Committee is of the view that it would be irresponsible for the Commonwealth to extend a loan to the Norfolk Island Government without a reliable study of Norfolk Island's ability to service any debts. Before making any grants for infrastructure on Norfolk Island, the Commonwealth would need an assurance of the capacity of the Norfolk Island budget to fund maintenance of that infrastructure – without the need for continuing injections of capital by the Commonwealth.

³⁶ *Submissions* pp. 351–52.

³⁷ *Submissions* p. 675.

³⁸ *Submissions* p. 236.

³⁹ *Transcripts* p. 49.

5.65 Once these matters have been resolved, there is still the issue of the type and extent of assistance that the Commonwealth might extend to Norfolk Island for freight handling infrastructure. The Committee sees no justification for the extension by the Commonwealth of an interest free loan to the Norfolk Island Government to finance the purchase of a ship.

Private enterprise

5.66 The Committee was informed of a number of proposals for the private ownership and operation of shipping and/or freight handling facilities for Norfolk Island.

- Norfolk Sealink, a locally owned Norfolk Island company, proposed to enter into a joint venture with a major Australian shipping company, to purchase a stern landing vessel at an estimated cost of \$5.5 million to operate a shipping service to Norfolk Island out of Australian and New Zealand ports.⁴⁰ The joint venture was also prepared to fund all the infrastructure required to allow the stern landing vessel to unload freight at Ball Bay, Norfolk Island, including a concrete landing ramp, jetty, access road and bond store.
- The Chamber of Commerce proposed that a public company could be set up to own and operate new freight handling equipment. It was proposed to purchase motorised barges, a crane, forklift and secure container store, to handle freight in standard shipping containers. The estimated capital outlay was \$800 000 to \$1.1 million. It was anticipated that full residents, local businesses and government bodies could become equity holders. It was proposed that the enterprise could be given a licence to operate any new harbour facility in return for the payment of a levy to the Norfolk Island Government. The Norfolk Island Government would be responsible for upgrading fixed infrastructure – such as extending Cascade pier or building a boat harbour at Ball Bay – but the enterprise would own and operate barges and cranes required to handle freight containers. This proposal was considered to be viable on existing tonnages at current lighterage rates. The Chamber of Commerce reported that this proposal had backing from local businesses and banks.⁴¹
- Several offers were made to the Norfolk Island Administration Lighterage Review for the lease and/or purchase of existing and new freight handling equipment and the private commercial operation of a ship to shore freight handling service.⁴²

5.67 Mr Donald Gubbay, International Business and Technical Consultant, believed that new port infrastructure on Norfolk Island could be financed by private enterprise and the investment recouped from the earnings from freight handling operations. Mr Gubbay considered phased development of infrastructure would be

⁴⁰ *Transcripts* pp. 954–56.

⁴¹ *Submissions* pp. 134 & 143–48.

⁴² *Submissions* pp. 418–44.

preferable because of the weak economies of the Norfolk Island trade. Mr Gubbay thus recommended that shore facilities, such as a wharf or extended jetty, could be constructed by private enterprise using the crane installed for freight handling, on a 'Build, Operate and Transfer' basis. In the interim, the purchase of equipment for the barge transport of containers could be funded by offering private enterprise 'Design, Build and Operate' terms.⁴³

5.68 The Committee is satisfied that private finance would be available for development of a moderate level of freight handling infrastructure on Norfolk Island.

5.69 The Committee is of the view that private financing and operation of freight handling facilities offers a number of significant benefits for Norfolk Island. For instance, it appears to the Committee that the proposals put to it for privately funded new port infrastructure for Norfolk Island meet the needs of a small community taking small volumes of freight. Private enterprise will only make an initial investment that can be recouped over the life of the infrastructure. The private enterprise proposals put to the Committee were considerably more modest than the proposals for deepwater harbour facilities contemplated by the Norfolk Island Government.

5.70 The Committee believes it would be possible to regulate any private enterprise that had an effective monopoly over freight handling on Norfolk Island. This matter is treated in detail later when the Committee discusses the grant of an exclusive licence for the operation of a shipping service to Norfolk Island.

Norfolk Island Government funding

5.71 Mr Donald Gubbay, International Business and Technical Consultant, cautioned against the Norfolk Island Government becoming too closely involved in the funding of shipping or freight handling infrastructure because of the considerable financial risk to which it would be exposing itself.⁴⁴

5.72 However, at the public hearing in Brisbane on 21 November 1994, the Committee was informed that the Norfolk Island Government had decided to own and operate shipping and sea freight handling infrastructure on Norfolk Island. The Hon Michael King MLA, representing the Norfolk Island Government, said in evidence:

The Norfolk Island government and the Assembly have clearly expressed a preference for owning and operating a new shipping service itself. Obviously we are prepared to listen to the proposals, which undoubtedly are going to be put to us by Norfolk Sealink. We want to ensure that the objectives that we want to meet in terms of cost savings to the community – all the benefits which have been enumerated here this morning – are met. We have a strong feeling that we could maximise those benefits if the Norfolk Island government owned and operated the vessel. That is our position at the present time.⁴⁵

⁴³ *Submissions* pp. 173–74.

⁴⁴ *Transcripts* p. 120.

⁴⁵ *Transcripts* pp. 1003–04.

5.73 Mr King considered public ownership of shipping would protect the community's interests.

We would have control over the operation of the ship, its profits. Obviously we would not be looking for as great a return on the investment as would private enterprise, and that would obviously impact on the freight rates, scheduling, disposal or removal of hazardous wastes, et cetera, which is a problem there; we would have total control over all those aspects.⁴⁶

5.74 Mr King was asked how the Norfolk Island Government might fund new infrastructure. He was also asked what new taxes or levies could be implemented to finance the purchase of a ship. Mr King could not answer, but considered that the Norfolk Island Government would have no more trouble than a private enterprise obtaining \$5.5 million in the commercial lending environment.⁴⁷

5.75 Mr Ric Robinson and Mr John Brown, then Ministers in the Norfolk Island Government and Norfolk Island businessmen, in their joint submission to the Inquiry, agreed that the cost of providing a new port was beyond the existing means of the Norfolk Island Government with its limited revenue base. However, they proposed the assessment of a range of new funding options for infrastructure expenditure on Norfolk, including:

- foreign aid;
- Australian Industry Development Corporation funding/municipal bond issue;
- levy on companies trading on Norfolk Island – for example, Ansett Australia, the Commonwealth Banking Corporation, Boral Limited;
- Norfolk Island harbour lottery;
- up-front levy on new businesses establishing on Norfolk Island; and/or
- harbour levy on all businesses.⁴⁸

5.76 DEST confirmed that the Norfolk Island Government had the power to impose levies on businesses operating on Norfolk Island, but questioned whether the expected revenue would cover the cost of harbour development.⁴⁹ As already discussed, the Norfolk Island Government cannot borrow money without Commonwealth approval and would not be eligible for foreign aid since it is part of the Commonwealth of Australia.

⁴⁶ *Transcripts* pp. 1009–10.

⁴⁷ *Transcripts* pp. 1018–19.

⁴⁸ *Submissions* pp. 235–36.

⁴⁹ *Transcripts* p. 290.

5.77 The Committee does not believe that the Norfolk Island Government will be able to raise sufficient revenue to fund a shipping line or any substantial new port infrastructure without major changes to its revenue base.

5.78 The Committee is not persuaded that operation of shipping and freight handling by the Norfolk Island Administration would be in the best interests of the Norfolk Island community.

5.79 Most importantly, the Committee is concerned that, if the future of shipping to Norfolk Island and the upgrading of infrastructure is left up to the Norfolk Island Government, it is unlikely that a new system of freight handling will be in place at the end of 1995 when the present shipping service to Norfolk Island is withdrawn. Indeed it appeared to the Committee that the Norfolk Island Government was not concerned about this, and was prepared to rely on yet more makeshift shipping services and the continuation of unsafe and inefficient lighterage operations until it made up its mind about what it wanted to do.⁵⁰

Conclusions on funding

5.80 The population of Norfolk Island is less than 2000, and not all residents are in the workforce, with the result that the Norfolk Island Government has a very small revenue base.⁵¹

5.81 The Committee is of the view that the Norfolk Island budget cannot shoulder the financial burden of providing new port infrastructure on Norfolk Island, a view which appears to be shared by the Norfolk Island Government.

5.82 The breadth of the Terms of Reference of this Inquiry, and the focus on transport, did not permit a detailed examination of the financial relationship between the Commonwealth and Norfolk Island. Perhaps, as the Norfolk Island Government has suggested, the matter should have been resolved in detail and in writing at the time of the grant of self government. Certainly, it is a matter which must now be considered in relation to the funding of freight handling infrastructure.

5.83 The Committee is concerned that the extension by the Commonwealth to Norfolk Island of a one-off grant, or a loan facility, would not be the complete answer.

5.84 Unless the Norfolk Island budget were to be boosted by significant new revenue raising measures, the Committee believes that the pool of general revenue on Norfolk Island would be unequal to the task of upgrading and maintaining port infrastructure in the future, let alone servicing a debt.

⁵⁰ *Transcripts* p. 1010–11.

⁵¹ The ordinarily resident population of Norfolk Island – including General and Temporary Entry Permit-holders – was shown as 1912 in the *Norfolk Island Census of Population and Housing*, 6 August 1991.

5.85 The Commonwealth provided \$2.5 million for the resealing of the airstrip in conjunction with the handover to the Norfolk Island Government of responsibility for the management of the airport in March 1991⁵² but this did not solve all Norfolk Island's airport problems. Conflicting evidence was given to this Inquiry by Norfolk Islanders on the adequacy of the Norfolk Island airport facilities. The Norfolk Island Government did not support major upgrading of the airport. Some Norfolk Islanders, especially those reliant on the tourism industry, would like to see future major upgrading of airport facilities to accommodate more tourists on bigger aircraft. This could involve the relocation of the airport terminal, extension of apron parking, lengthening and strengthening of the airstrip.⁵³ In the final analysis, the Committee is not convinced that the Norfolk Island Government would be able to fund such major upgrading.

5.86 The Committee is conscious that the Norfolk Islanders, through the electoral system, have chosen a taxation regime marked by dependence on indirect taxation – including a range of levies which are ultimately paid by tourists rather than by residents. This is their democratic choice. However, it is debatable whether or not it is a choice which should be subsidised in the form of capital grants by the Commonwealth to Norfolk Island for the funding and maintenance of essential infrastructure.

5.87 Accordingly, the Committee has identified a need for a further inquiry to examine and report on the financial relationship between the Commonwealth and Norfolk Island, including the following specific issues:

- the level of financial assistance that has been extended by the Commonwealth to the Norfolk Island Government since the grant of self government in 1979, and the extent to which this assistance has been directed to capital works for the upgrading of infrastructure on Norfolk Island;
- whether or not, if the Commonwealth undertook to extend finance for the upgrading of sea freight facilities, the Norfolk Island budget would be able to fund the upgrading and maintenance of airport and harbour infrastructure in the future; and
- whether or not the Norfolk Island Government would be able to service any future loans made by the Commonwealth for capital works.

5.88 The Committee considers that the inquiry into the financial relationship between the Commonwealth and Norfolk Island could be conducted by the Commonwealth Grants Commission. The Committee is aware that the primary role of the Commonwealth Grants Commission is to make recommendations, for consideration at the annual Premiers' Conferences, on the granting of financial assistance to the States, the Northern Territory and the Australian Capital Territory from the pool of general revenue grants made available by the Commonwealth.

⁵² *Submissions* p. 325.

⁵³ *Transcripts* p. 851.

5.89 However, the Commonwealth Grants Commission has had a consultancy role in relation to the Cocos (Keeling) Islands and it is in this context that the Committee considers the Commonwealth Grants Commission the most appropriate body to conduct the review on Norfolk Island.⁵⁴

5.90 The Committee notes that the Commonwealth Grants Commission's role in relation to the Cocos (Keeling) Islands is confined to those matters referred to the Commission by the Minister. The Committee believes that the Commonwealth Grants Commission Act could be extended to Norfolk Island in the same way that it has been extended to the Cocos (Keeling) Islands – namely, to allow for specific inquiries on reference from the Minister [for Administrative Services] following consultation with the Minister responsible for Territories.

5.91 In evidence to this Inquiry the Hon Michael King MLA, Minister for Tourism and Works in the Norfolk Island Government, when asked if the Norfolk Island Government would welcome the inclusion of Norfolk Island in the Commonwealth Grants Commission's areas of responsibility, replied, 'I think it would be a welcome move if that were to happen. That is my personal opinion.'⁵⁵

5.92 If the Commonwealth Grants Commission is deemed not to be the most appropriate body to conduct this study, a consultancy could be commissioned from another body with appropriate expertise.

5.93 In the meantime, the Committee considers it would be useful for policy formulation by both the Commonwealth and Norfolk Island Governments if accurate data were available covering the Norfolk Island economy.

5.94 The Committee is conscious that the quality of inquiry work and the recommendations and conclusions reached, are dependent on the quality of information available. The work of the Commonwealth Grants Commission in its Third Inquiry into the Cocos (Keeling) Islands was hampered by the lack of reliable data on incomes and cost of living and out of this experience came a recommendation from the Commission that procedures should be established for the collection on the Cocos (Keeling) Islands of an appropriate set of statistics on the cost of living, amongst other things.⁵⁶ The Committee considers that future inquiries into Norfolk Island would be greatly assisted by the availability of reliable statistical information on Norfolk Island.

⁵⁴ The *Commonwealth Grants Commission Act 1973* was extended to the Cocos (Keeling) Islands following the Act of Self Determination by the Cocos Malay people in 1984. The Commission has since published three reports on the Cocos (Keeling) Islands, including one on the methodology for comparing standards of living in the Territory with mainland standards of living, and subsequent reports on the progress made by the Commonwealth towards meeting its 1984 undertaking to the Cocos Malay people to raise Cocos Malay services and standard of living to mainland Australian standards by 1994.

⁵⁵ *Transcripts* p. 876.

⁵⁶ Commonwealth Grants Commission, *Third Report on Cocos (Keeling) Islands Inquiry 1993 – Supplementary Report* (AGPS, 1993) p. 11.

5.95 If the Norfolk Island Government is to be permitted to borrow capital for the upgrading of infrastructure, then it is important to ensure that such borrowings can be serviced without serious hardship to the residents of Norfolk Island. It follows that it is important to have some measure of how Norfolk Island residents are faring, and whether or not expenditure on social security payments, health services, education and other public services provided by the Norfolk Island Government is likely to increase in the future.

RECOMMENDATION 21

5.96 The Committee recommends that the Australian Bureau of Statistics (ABS) conducts a survey on Norfolk Island to provide information to the Commonwealth and Norfolk Island Governments on the cost of living of residents on Norfolk Island as a remote Australian community. The survey should identify, analyse and report on:

- patterns of income and expenditure for households earning wage and/or salary income on Norfolk Island, broken down to at least three income brackets;
- prices of items in a selected household basket of goods and services on Norfolk Island;
- the cost of parcel post, fuel, electricity, housing and transport on Norfolk Island;
- the extent to which the sales tax-free status of Norfolk Island affects the cost of living of its residents;
- the average weekly income for individuals and families entirely dependent on social security payments on Norfolk Island;
- the value of subsidised housing and any other benefits extended to social security recipients on Norfolk Island; and
- patterns of household expenditure for social security recipients on Norfolk Island.

RECOMMENDATION 22

5.97 The Committee recommends that the Minister for Finance decline to make any loans for transport infrastructure or shipping to the Norfolk Island Government under section 49 of the *Norfolk Island Act 1979* pending the outcome of an examination of the financial relationship between the Commonwealth and Norfolk Island. The Committee further recommends that the Treasurer withhold approval for borrowings for transport infrastructure or shipping by the Norfolk Island Government under section 50 of the *Norfolk Island Act 1979*, pending an examination of the Norfolk Island Government's capacity to service debts. The Committee recommends that no capital grants for transport infrastructure or shipping be made by the Commonwealth to the Norfolk Island Government pending the outcome of a review of the financial relationship between the Commonwealth and Norfolk Island.

Sea Freight

Sea freight issues

5.98 The major concerns of Norfolk Islanders, in relation to sea freight transport and handling as raised in evidence to this Inquiry, were as follows:

- The ships which are currently operating on the Norfolk Island route are becoming obsolete and are expected to withdraw from the route by the end of 1995.
- It is unlikely that Norfolk Island will continue to be serviced by break bulk ships unloading with union purchase derricks. Yet, Norfolk Island is not equipped to handle containerised freight.
- There is dissatisfaction with the cost and standard of the lighterage service provided on Norfolk Island.

Existing shipping services

5.99 At the beginning of the Inquiry, the Committee was informed that Norfolk Island was serviced by two shipping lines – Sofrana Unilines operating the *Capitaine Wallis* out of Sydney and W Islands Line operating the *Moana II* out of Auckland [New Zealand] and Yamba [NSW]. These ships sail under the French and Tongan flags respectively.⁵⁷

⁵⁷ Norfolk Island is exempt from the coasting trade provisions in the *Navigation Act 1912*.

5.100 The *Capitaine Wallis* is principally engaged in the carriage of bulk wheat to Fiji and Noumea and the carriage of freight to Norfolk Island is incidental.⁵⁸ The *Capitaine Wallis* is expected to continue to ship supplies from Sydney to Norfolk Island until December 1995 at which time it is unlikely to be put through survey and will then leave that trade.⁵⁹

5.101 The *Moana II* was due to be withdrawn from the Norfolk Island route in December 1994. However, in November 1994, the Committee was informed that the Norfolk Island Government had refused to lighter cargo from the *Moana II* following an incident where an arrester wire, used to steady the cranes on the vessel, snapped, causing the virtual collapse of one of the derricks.⁶⁰ W Islands Line proposed to replace the *Moana II* with the *Sami III*.⁶¹

5.102 These ships are equipped with union purchase gear, a requirement of the Norfolk Island Lighterage Service. Union purchase gear allows parcels of freight to be lowered from the ship on two wires. Union purchase gear gives more control over the movement of the freight as it is lowered into the lighter or barge, compared to single derricks, because one or other of the wires can be tensioned to counterbalance the roll of the ship.

5.103 Sofrana Unilines, out of Sydney, and W Islands Line, out of Auckland, have each operated a service scheduled to call at Norfolk Island about every five weeks. The *Moana II* sailed from Auckland to Norfolk Island, continuing to Yamba, Tonga and Niue, before returning to Auckland. *Moana II* provided a service from Yamba to Norfolk Island, en route to Tonga, on every second voyage – that is, about every ten weeks.

5.104 Mr Donald Pratt, General Manager and Director, Cook Islands National Shipping Line gave evidence to the Committee at the public hearing on Norfolk Island in May 1994 that Cook Islands Line intended to run one trial voyage from Auckland to Norfolk Island en route to Rarotonga, using a relatively small freighter with 1000 tonnes carrying capacity.⁶² The ship was seventeen years old and accustomed to unloading into aluminium barges or dinghies at small islands. The ship was not equipped with union purchase gear but with a hiab crane.⁶³

⁵⁸ *Transcripts* p. 857.

⁵⁹ *Transcripts* p. 102. Ships are required to be put through periodic surveys to remain registered in a particular class of shipping. There comes a time when the cost of maintenance and repairs required to pass the ship through survey is uneconomic and this time is said to be imminent for the *Capitaine Wallis*.

⁶⁰ *The Norfolk Islander*, 5 November 1994.

⁶¹ *Transcripts* p. 968.

⁶² *Transcripts* pp. 830–37.

⁶³ The hiab crane is a hydraulic crane with a hinged arm. Cargo is lowered on a single wire but not from as great a height as would be the case with other derricks.

5.105 The Norfolk Island lighterage workers agreed to trial the method of unloading by hiab crane. The Committee was informed in September 1994 that Cook Islands Line had already operated two voyages from New Zealand to Norfolk Island, and had embarked on its third voyage.⁶⁴ The hiab crane had been modified to suit the lighterage operation but could not handle heavy cargo such as motor vehicles.

5.106 According to figures provided by Argosy Norfolk, the freight tonnage delivered to Norfolk Island for the last three years exceeded 12 000 tonnes per year, with about half coming from mainland Australia and half from New Zealand.⁶⁵ The Chamber of Commerce projected a shipping requirement for 780 containers per year based on current tonnages delivered to Norfolk Island.⁶⁶

5.107 The freight rates charged by Norfolk Sofrana and Argosy Shipping, Norfolk Island agents for Sofrana Unilines and W Islands Line respectively, are shown in tables 5.1 and 5.2. Since freight to Norfolk Island is not containerised but is carried break bulk, the rates are per tonne or per cubic metre, whichever is the greater.

Table 5.1 Sea freight rates, mainland Australia to Norfolk Island

<i>Type of freight carried</i>	<i>Sofrana Unilines ex-Sydney</i>	<i>W Islands Line ex-Yamba</i>
<i>(\$AUD per tonne/cubic metre)</i>		
General cargo	249 per cubic metre 268 per tonne	160 per cubic metre/tonne ^a
Freezer/refrigerated freight	308 per cubic metre 340 per tonne	freezer cargo not accepted
Hazardous freight (certain categories)	276 per cubic metre 298 per tonne	200 per cubic metre/tonne
Livestock – cows, horses	1000 each	
Livestock – calves, dogs, pigs, sheep	320 each	
Bulk (bagged) freight	268 per tonne	160 per tonne
Surface mail	425 per tonne ^b	
Motor vehicles & boats	140 per cubic metre	160 per cubic metre

^a Cartage from Sydney to Brisbane is an additional \$60 per tonne.

^b Plus \$60 port service charge.

Source: *Submissions* pp. 276 & 318.

⁶⁴ Exhibit No. 67.

⁶⁵ *Submissions* p. 271.

⁶⁶ *Submissions* p. 146.

**Table 5.2 Sea freight rates,
Auckland (New Zealand) to Norfolk Island**

<i>Type of freight carried</i>	<i>W Islands Line freight tariff (\$NZ)</i>
General cargo	245 per cubic metre 270 per tonne
Freezer cargo – general	275 per cubic metre 315 per tonne
Hazardous freight	285 per cubic metre
Cement, lime and bitumen	190 per tonne
Timber, building products	190 to 220 per cubic metre/tonne
Livestock – cows, horses	1300 each
Livestock – pigs, calves, sheep, cats and dogs	500 each
Bulk produce, sugar, unpalletised	270 per cubic metre/ tonne
Motor vehicles, boats	165 per cubic metre

Note All cargo except freezer cargo must be palletised.

Source Exhibit No. 69. 'W' Islands Line freight tariff, effective 1 August 1994.

5.108 It was estimated that the present freight rates to Norfolk Island were equivalent to around \$5000 per container load, taking into account the number of pallet-loads that would fit into a container.⁶⁷

Lighterage

5.109 At present, ships anchor at sea at Norfolk Island and break bulk freight is unloaded by the ship's derricks onto flat bottomed whaling boats called lighters. The lighters are towed to shore by motorised launches. Lighterage operations take place at either Cascade jetty or Kingston pier, depending on the direction of the wind and swell.⁶⁸ Even with the two landing sites, ships are at Norfolk Island for 25% longer than they should be, on average, because of bad weather. At the public hearing on Norfolk Island in May 1994, Mr George Anderson, representing the Norfolk Island Lighterage Service, estimated that 16 days working ship had been lost at Norfolk Island over the previous year because of unfavourable sea or weather conditions.⁶⁹

⁶⁷ *Submissions* p. 184.

⁶⁸ Fuel is pumped ashore direct at Ball Bay.

⁶⁹ *Transcripts* p. 738.

5.110 Freight handling operations take place at Cascade about 60% of the time and it is predicted that this could increase to 80% if the jetty was lengthened, because this would allow the lighters to move beyond waves breaking on the shore. Cascade is the preferred site because the ship can anchor in deep water much closer to shore, whereas the water at Kingston is shallow and there is a coral reef. At the jetties, freight is lifted off the lighters by a mobile Kato crane. A customs' officer at the wharf records freight coming ashore and any damage⁷⁰. Once on the jetty, a forklift is available to load pallets onto trucks. The lighterage service is not responsible for delivery. Cartage is provided by private businesses at a cost of \$19 to \$25 per cubic metre.⁷¹

5.111 Lighterage charges are shown in table 5.3.

5.112 The Chamber of Commerce estimated that lighterage and delivery charges on Norfolk Island were roughly equivalent to \$700 per container.⁷²

5.113 The lighterage service is operated by the Norfolk Island Administration at a profit.⁷³ The terms and conditions on which the lighterage service is provided are determined under the *Lighterage Ordinance 1961*. Wage rates for lighterage workers, also lighterage rates to be paid by shippers are specified in Determinations made by the Minister pursuant to the Ordinance.

Table 5.3 Norfolk Island lighterage charges

<i>Freight carried</i>	<i>Lighterage charge (\$)</i>
General freight – per tonne/cubic metre	21.60
Double lighters ^a – per tonne/cubic metre	43.20
Timber, over 3 metres length – per tonne/cubic metre	30.40
Length surcharge, over 12 metres – per metre	2.60
Heavy lift surcharge, over 2 tonnes to 6 tonnes – sliding scale	7.00 to 39.00
Livestock containers (horses, cows) – per container	31.20

^a This rate applies when two lighters are required to carry a consignment.

Source *Norfolk Island Lighterage Ordinance 1961 – Specification of Charges for or in relation to the operations of the Lighterage Service*, 11 March 1993. Submissions pp. 378–81

⁷⁰ *Transcripts* p. 732.

⁷¹ *Transcripts* p. 752.

⁷² *Submissions* p. 146.

⁷³ *Submissions* p. 402.

5.114 In May 1994, the lighterage service consisted of twenty-three people⁷⁴ on piece rates of \$8.70 per cubic metre of freight landed (plus overtime or stand-by time of \$9 to \$12 per hour). All these workers had other jobs on Norfolk Island. In addition, fourteen marine workers boarded ships to conduct stevedoring operations under contract to the shipping line.⁷⁵ The day's wage for a lighterage worker was approximately \$100, but this figure was achievable only if at least 300 tonnes of freight were unloaded. This was the basis for the '300 tonne rule' which ensured that lighterage workers received reasonable recompense for leaving their usual work to attend to ships.⁷⁶

5.115 The '300 tonne rule', laid down in the Lighterage Ordinance, requires penalty payments to be made by a shipping line that arrives at Norfolk Island with less than 300 tonnes of freight to unload, at the rate of \$8.80 for each tonne below 300 tonnes.⁷⁷ The Committee took evidence that the '300 tonne rule' can cost the shipping lines between \$500 and \$1000 in penalties if they unload at Norfolk Island with less than the required amount.⁷⁸ Shipping lines are also responsible for paying penalties when the lighterage service is required to work overtime or to remain on standby, to cover the payments of \$9 to \$12 per hour made to lighterage workers in these circumstances.

5.116 While not disagreeing with the principle behind the '300 tonne rule', Mr Duncan Evans, Managing Director/Owners Representative, Argosy Norfolk Pty Ltd/Norfolk Sofrana, shipping agencies, noted that ships from New Zealand had arrived at Norfolk Island with less than 300 tonnes at least twice a year over the last five years. On other occasions, ships with less than this tonnage would simply sail past Norfolk Island.⁷⁹

5.117 The Committee noted the high level of dissatisfaction amongst Norfolk Island shippers with the lighterage service. The major complaints about the lighterage service were as follows.

- The '300 tonne rule' results in delays in delivery of consignments of freight as ships bypass Norfolk Island.

⁷⁴ Two crane drivers, four launch drivers, two people steadying the ends of the lighters, nine men in the lighters, five on the jetty, and one driving the forklift. *Transcripts* pp. 734–35.

⁷⁵ *Transcripts* p. 736.

⁷⁶ *Transcripts* p. 870.

⁷⁷ *Submissions* p. 380.

⁷⁸ *Transcripts* p. 106.

⁷⁹ *Transcripts* p. 792.

- The 'union-purchase rule' restricts the choice of shipping to Norfolk Island.⁸⁰
- The existing lighters cannot handle containerised freight.
- Lighterage is inefficient and costly due to labour intensive operations and triple handling of freight.
- Lighter operations are dangerous and freight has been lost overboard. This is particularly the case with oversize freight such as cars. DEST stated in evidence that, '...there is a loss of freight, as things fall over[board], somebody's grand piano fell into the water once, I believe.'⁸¹ The lighterage service admitted that there were 'quite a lot of losses alongside the jetty with things falling out of nets and so on.'⁸²
- Lighterage equipment is not suitable for handling heavy equipment. Before any 'heavy lift' is carried out, consignees of items weighing more than 4 tonnes must arrange through the Administration for insurance cover of \$15 000 per lighter in case of damage to the lighters.⁸³
- Damage and pilferage are said to be serious problems. Damage includes the spoilage of frozen or refrigerated goods which may be subject to high temperatures, sometimes for prolonged periods, during unloading.
- Freight handling operations are claimed to be poorly supervised.
- The Norfolk Island Administration, which operates the lighterage service, avoids responsibility for loss or damage of goods during lighterage operations under section 8 of the *Lighterage Ordinance 1961*.
- There are frequent delays to lighterage operations, largely due to unfavourable sea conditions.
- Break bulk freight is required to be shrinkwrapped and strapped to pallets for unloading. This increases the cost of the goods and also creates a pollution problem on Norfolk Island where excessive packaging and non-returnable pallets must be disposed.

⁸⁰ This rule provides that the lighterage workers are not required to unload ships which do not have union purchase gear. The lighterage workers may waive this requirement in certain circumstances.

⁸¹ *Transcripts* p. 53.

⁸² *Transcripts* p. 725.

⁸³ *Submissions* p. 381.

5.118 The Committee notes that the shortcomings outlined above were not isolated complaints from particular aggrieved parties but seemed to be the consensus view of clients of the lighterage service.

5.119 In August 1993, the Norfolk Island Administration published a discussion paper on lighterage operations, canvassing options for future management of lighterage operations – including privatisation, corporatisation and equipment leasing options.

5.120 The Norfolk Island Government indicated that amongst the submissions to its lighterage review, there were several proposals to take over lighterage operations. Some of these came from shipping lines and others were from Norfolk Island businesses.⁸⁴

5.121 W Islands Line made a different proposal to the Committee. Mr Peter Warner, a Director of the company, proposed that ocean carriers could provide their own lighterage service. It was argued that this would reduce freight costs, eliminate the need for ships with union purchase gear, also nullify the '300 tonne rule'.⁸⁵ Lighterage charges were over \$20 per tonne under the Norfolk Island Administration. W Islands Line would do it for half this cost.⁸⁶ The lighterage operation would be carried out by the ship's Tongan crew.

5.122 The Norfolk Island Government was not favourably disposed to proposals which would take lighterage jobs away from Norfolk Islanders.⁸⁷

5.123 The lighterage workers were not prepared to allow ships' crews to use the lighters. On a previous occasion when lighterage operations had been carried out by a Noumean crew one of the lighters had been sunk.⁸⁸ Mr George Anderson, representing the Norfolk Island Lighterage Service, gave evidence to this effect.

To be quite frank, I think if you had a ship coming here with a crew from the Cook Islands or somewhere, who wanted to take the work away from the present workers you would be having trouble of some sort. I am not making threats. It is only my view. It happens anywhere in the world.⁸⁹

⁸⁴ *Submissions* pp. 418–44.

⁸⁵ *Transcripts* p. 100.

⁸⁶ *Transcripts* p. 106.

⁸⁷ *Transcripts* pp. 867–70.

⁸⁸ *Transcripts* p. 735.

⁸⁹ *Transcripts* p. 737.

5.124 In the Norfolk Island Government's 1993 *Lighterage Review Discussion Paper* it was noted that this Committee's Inquiry will be integral to the process of decision making about the future of lighterage operations.⁹⁰ The Discussion Paper did, however, discuss certain factors which could be important in deciding the future of the Lighterage Service.⁹¹

- The Lighterage Service provided jobs for Norfolk Island residents.
- Lighterage was a significant source of revenue for the Norfolk Island Government. (If lighterage were to be privatised, revenue could be earned by a port fee on the lighterage operator.)
- It would be undesirable for the lighterage service to be in the hands of an uncontrolled monopoly.
- A substantial capital outlay on the part of the Norfolk Island Government would be required to upgrade the existing system.
- There was a need for a more efficient and less costly system of freight handling and it would also be desirable to simplify the billing system.

5.125 While recognising that the lighterage operations are a longstanding tradition on Norfolk Island which many Norfolk Islanders would like to see continue, the Committee is of the view that the existing lighterage service is inadequate for Norfolk Island's future freight handling requirements and that there is a need for a new freight handling system on Norfolk Island.

5.126 The Committee discovered that the Norfolk Island Administration avoids responsibility for virtually all the commercial risks associated with the operation of the lighterage service – certain of those risks being borne by the shipping lines servicing Norfolk Island and others being borne by the shippers.

5.127 The Committee does not consider the present conduct of the Norfolk Island Lighterage Service to be satisfactory.

⁹⁰ *Submissions* p. 416.

⁹¹ *Submissions* pp. 386–416.

5.128 The Committee considers that the Norfolk Island Administration should take responsibility for loss or damage occurring during lighterage operations. If cargo is lost overboard in the course of lighterage operations, then this should be at the expense of the Norfolk Island Administration or its insurer. Shippers on Norfolk Island should be able to contract for the guaranteed stevedoring and landing of freight. They should not be required to gamble on whether or not their cargo will be lost overboard. If the Norfolk Island Administration had been forced to accept responsibility for lighterage operations in the past, it is possible that the Norfolk Island Government would have upgraded freight handling infrastructure long ago.

5.129 It appears that the lighterage service has made large contributions to general revenue and that little capital has been ploughed back into the upgrading of lighterage equipment.⁹² The Committee is concerned that any future shipping or freight handling operation to be operated by the Norfolk Island Administration could, similarly, be operated to generate revenue rather than to provide efficient service at reasonable rates. For this reason, the Committee cautions against any form of future Commonwealth assistance to shipping or freight handling enterprises to be owned and operated by the Norfolk Island Government. The Committee considers it would be preferable for future freight handling operations on Norfolk Island to be operated by private enterprise and regulated by the Norfolk Island Government.

5.130 The Committee suggests that the commercial impact of the '300 tonne rule' be investigated by the Norfolk Island Government, with a view to the immediate rescission of this requirement.

⁹² It was estimated that the lighterage service would contribute over \$80 000 to the Revenue Fund in 1993–94. The assets of the lighterage service comprise three launches, four lighters, three trailers, one forklift, the Kato crane and one other (obsolete) crane together with spare parts and maintenance equipment. In August 1993, the estimated resale value of these assets was \$204 500 in total. Only three of these items – two of the launches and the Kato crane – had a written down value greater than nil, and the total written down value of these three items was less than \$77 000. The single most valuable piece of equipment was the Kato crane which is over ten years old and is hired out for other purposes when there is no ship in port. *Submissions* pp. 394 & 402 & 465.

Containerisation

5.131 The business community on Norfolk Island was divided on the issue of whether it was in the best interests of businesses on Norfolk Island to move away from palletised sea freight to containerisation. The Norfolk Island Government did not have a view on this issue.⁹³

5.132 Mr Duncan Evans, shipping agent, pointed out that there was no need for an either/or choice between containerised and break bulk freight. The type of ships he envisaged servicing Norfolk Island in the future would be multi-purpose ships, not the cellular container ships operating on the major international trading routes. He suggested that the ships servicing Norfolk Island in the future would probably be sailing from Australia or New Zealand around the South Pacific – to Noumea for example. Sofrana Unilines operates such ships to Nauru from mainland Australia.⁹⁴

5.133 Mr Peter Warner, Director, W Islands Line, proposed a form of compromise or intermediary step whereby carriers could introduce mini-containers ('ten foot' containers).⁹⁵ The advantages of this proposal would be: protection of refrigerated and frozen freight, less damage and pilferage, and an ability to be handled by the existing lighterage system.⁹⁶ The lighterage workers were not attracted by this proposal. Mini-containers were said to be slow to lighter – only one mini-container of about three metres length could be carried in a lighter whereas up to eight metres of palletised freight could be carried in one trip.

5.134 Mr Richard Hamilton-Irvine, Managing Director of Irvine's Pty Ltd, the largest importer by volume on Norfolk Island, gave evidence to the Committee on his trial of mini-containerised freight. Mr Hamilton-Irvine had discovered that the equipment at Norfolk Island could not handle fully loaded mini-containers. Additional freight costs had been incurred for container demurrage. Additional lighterage charges had been incurred for the backlighterage of empty containers to the ship. The lighterage service charged its standard lighterage rates (per cubic metre) for unloading the mini-containers, including the volume of the containers themselves. Mr Hamilton-Irvine told the Committee that the trial had ended in failure and considerable loss.⁹⁷

5.135 The Shipping and Lighterage Sub-committee of the Chamber of Commerce and also its Chairman, Mr Bruce Walker, in his individual capacity as Company Secretary of Norfolk Island Supermarkets Pty Ltd, set out the arguments in favour of containerisation. Containerisation was considered to offer significant potential cost savings

⁹³ *Transcripts* p. 862.

⁹⁴ *Transcripts* pp. 794–96.

⁹⁵ *Transcripts* pp. 100–01.

⁹⁶ *Transcripts* pp. 107–08.

⁹⁷ *Transcripts* p. 775.

and many other advantages. Mr Walker explained how containerisation would eliminate unnecessary multiple handling of freight:

... Pick a particular supplier – I will use this one because I happen to be in the food market – such as Arnotts biscuits. Arnotts can pack the container in its warehouse. The container leaves its warehouse and is not unpacked until it gets to our warehouse.

If it comes break bulk, it is handled by up to six or eight different handlers along the way. It comes out of its warehouse and has to be put on a truck or whatever to be wrapped and strapped. It then is transferred from there to the wharf. The wharfies have to handle it onto the ship. The ship stevedores have to handle it. Our lighterage workers then handle it and our local cartage then handles it. A container is a steel box and that is all they have to handle. I do not know whether you have had any experience of opening the door of a container when it has been properly packed inside. Nothing moves – it is just totally packed.⁹⁸

5.136 The arguments put to the Committee in favour of containerisation included the following.

- Containerisation would obviate the need for the wrapping and strapping of palletised freight, resulting in an enormous saving.⁹⁹
- Containerisation would result in the elimination of pilferage of freight in transit and reduction in damage to freight.¹⁰⁰
- The use of freezer containers and refrigerated containers would virtually eliminate spoilage of fresh and frozen food.¹⁰¹

⁹⁸ *Transcripts* p. 746.

⁹⁹ *Transcripts* p. 748. Norfolk Island Supermarkets gave evidence that the wrapping and strapping of palletised freight cost \$65 to \$90 per pallet. Up to eight pallet loads could fit into a container, resulting in a huge saving. There could also be savings in the handling of cargo on the wharf at the loading port. Palletisation was claimed to create a waste problem on Norfolk Island where there is a need to dispose of reportedly carcinogenic pallets or boxes (where the wood has been chemically treated), metal straps and plastic wrapping.

¹⁰⁰ The largest freight consignee (by value) on Norfolk Island, Norfolk Island Supermarkets, gave evidence that the average value per voyage of damage and pilferage of freight consigned to Norfolk Island Supermarkets from April 1992 to June 1993 was \$1451 relative to total consignment costs of \$250 000 per voyage. *Transcripts* p. 764. *Submissions* p. 154.

¹⁰¹ Refrigerated or frozen goods carried break bulk are packed in boxes and carried in a ship's freezers. The boxes are not refrigerated while they are being loaded onto the ship, unloaded into the lighters at Norfolk Island or trucked to a consignee's store. Frozen products can start to deteriorate after 40 minutes on a hot day in the lighters. There is no guarantee that frozen goods can be unloaded in the cool of the morning or evening. *Transcripts* p. 749. Norfolk Island Supermarkets estimated its own freezer/cooler dumps to be worth around \$12,000 per annum or \$428 per voyage. *Submissions* p. 154.

- Containerisation would lead to accelerated freight handling rates and significantly reduced freight costs. Savings in freight and handling costs likely to result from containerisation were estimated to be between 20% and 45% in evidence at public hearings¹⁰² and in submissions to the Inquiry.¹⁰³

5.137 However, there were many voices raised cautioning Norfolk Island shippers against too readily embracing containerisation as the panacea for all freight problems on Norfolk Island. Containerisation could incur certain costs not currently paid by Norfolk Island shippers, including container demurrage, container repositioning charges on the ship, backlighterage charges and container consolidation charges in Sydney and Auckland.

5.138 There was concern expressed that some of the impetus for the move to containerisation was simply the desire to adopt the 'modern' form of sea freight handling around the world, without a close analysis as to whether or not it was better for the small volume of freight consigned to Norfolk Island. Amongst the arguments against containerisation, the following points were raised.

- The current lighterage system could not handle containerised freight.
- Notwithstanding that Norfolk Island may be able to gear up to handle containerised freight, there is still the risk that sea conditions at Norfolk Island would make the unloading of containers frequently difficult or dangerous.

Mr Peter Warner, Director, W Islands Line, was concerned that the Committee and Norfolk Islanders, recognise this problem.

We have the anomaly whereby these brave descendants of the mutiny of the *Bounty* require mirror calm conditions to discharge a vessel with union purchase gear, which is the safest gear to use. But container vessels all have single derricks. One can imagine a 20-foot container swinging on a single derrick over the side of a ship, trying to be aimed into a lighter, which I feel is a far more dangerous exercise than the one that is being used at the moment. If they can handle a container on a single derrick in the future, why can they not handle small parcels on a single derrick today?¹⁰⁴

- Container ships are expensive to operate and could not afford long delays due to unfavourable weather conditions. Further delays in port could result from the need to load the empty containers back onto the ship. Shippers could incur demurrage penalties.¹⁰⁵

¹⁰² *Transcripts* pp. 794–95.

¹⁰³ *Submissions* pp. 148 & 153–55.

¹⁰⁴ *Transcripts* pp. 103–04.

¹⁰⁵ *Submissions* p. 536. Mr Duncan Evans, shipping agent, gave evidence that demurrage was not a serious problem with the types of ship now servicing Norfolk Island, and was unlikely to be in the future. *Transcripts* pp. 793–94.

- Shippers could be liable for container demurrage as opposed to the present cost of disposing of pallets.¹⁰⁶
- A large amount of freight would not lend itself to containerisation. The lighterage workers pointed out:

There is so much freight that cannot be containerised, such as timber and cement. I have heard it said it is doubtful whether liquor and beer could be containerised because it is all palletised out of the factories. There are quite a few. I think one of the other shipping companies did a study on it some time ago which showed that containerisation would not even go to half the cargo.¹⁰⁷

- The cost of consolidating containers in mainland Australia and New Zealand is high, around \$30 to \$80 per tonne.¹⁰⁸
- Access roads at Norfolk Island would not be strong enough for trailers carrying fully loaded containers.¹⁰⁹
- Associated shore based infrastructure would be costly to construct and bond stores at the wharves would be an unsightly blemish on the Norfolk Island coastline.¹¹⁰

¹⁰⁶ Cook Islands Line submitted that shippers on Norfolk Island would incur container demurrage only if the containers were detained on Norfolk Island over one shipping cycle, in which case the charge would be \$5 per day for standard containers and \$20 per day for refrigerated containers. *Submissions* p. 972.

¹⁰⁷ *Transcripts* p. 726. Mr Richard Hamilton-Irvine buys building materials for shipment to Norfolk Island. He estimated that, for the products he orders, less than 25% by volume of goods sourced from the Australian mainland would be suitable for containerisation; for products sourced from New Zealand the proportion suitable for containerisation was even lower – 15%. The products in question were not able to be containerised because of overlength dimensions or because the products are too dense. Containers can carry around 20 tonnes, so a container of cement would be practically empty in terms of space. Mixed container loads of freight would complicate delivery and incur consolidation charges. *Transcripts* p. 773.

¹⁰⁸ *Transcripts* p. 113. It was argued that consolidation costs could be particularly high for Norfolk Island because the population is small and there are no firm patterns of consumption which complicates ordering and consolidation of freight. *Transcripts* pp. 779–81. On the other hand, Norfolk Island Supermarkets pointed out that some containers could be packed in the suppliers' factories, not incurring the consolidation costs which would be incurred for mixed containers of freight. *Transcripts* p. 768. Moreover, the shipping companies presently serving Norfolk Island were prepared to consolidate containers free of charge. *Submissions* p. 972.

¹⁰⁹ *Transcripts* p. 780.

¹¹⁰ *Submissions* pp. 400 & 894.

- Back-lighterage of containers could be as expensive as lighterage of freight.¹¹¹
- Cheaper ways could be found of minimising damage to freight than moving to containers. Mr Richard Hamilton-Irvine, Managing Director, Irvine's Pty Ltd, observed that multiwall cardboard containers were effective.¹¹² The lighterage service observed that the supermarket had eliminated most damage by heavy duty shrink wrapping its pallets.¹¹³

5.139 The Committee considers that Norfolk Island should be equipped to handle containerised freight. Whether shippers then choose to avail themselves of this option is for them to decide.

Freight handling infrastructure

Sites for new harbour infrastructure

5.140 To varying degrees, all the proposals for new freight handling infrastructure on Norfolk Island would involve environmental and heritage issues. The Committee cannot overstate the importance of Norfolk Island's unique environment and its historical value which cannot be compromised to provide a quick-fix solution to freight matters.

5.141 The Norfolk Island Government commissioned a preliminary report on harbour infrastructure for Norfolk Island, which was tabled in the Norfolk Island Legislative Assembly in March 1993¹¹⁴ and is commonly known as the PPK Report.¹¹⁵ The PPK Report discarded all but three potential sites for new harbour facilities on Norfolk Island on engineering and/or cost grounds. The remaining options were Kingston, Cascade and Ball Bay.¹¹⁶ These sites are shown on the map at figure 5.1.

¹¹¹ Mr Hamilton-Irvine observed that he had negotiated with the shipping line for the free backfreight of returnable pallets but his plans came unstuck because the lighterage service would not even discount their standard rates for backlighterage of the pallets. *Transcripts* p. 782.

¹¹² *Transcripts* p. 784.

¹¹³ *Transcripts* p. 726.

¹¹⁴ *Submissions* p. 342.

¹¹⁵ Blain Johnson-PPK Consultants for the Administration of Norfolk Island, *Report on a Preliminary Investigation for the Provision of Harbour Facilities for Norfolk Island* (February 1993). Exhibit No. 46.

¹¹⁶ *Ibid.*, p. 7.

Kingston

5.142 Kingston jetty is exposed to south east winds and swells and, as a result, is used for less than half the sea freight discharge at Norfolk Island.¹¹⁷ The PPK Report favoured Kingston as a harbour site from an engineering point of view.¹¹⁸ Kingston was ruled out because of the considerable heritage value attached to the area.

5.143 In evidence, DEST stated that Kingston had international historical significance and that severe disruptions to the area 'would be quite difficult to proceed with'.¹¹⁹

5.144 The Committee does not consider Kingston a suitable site for the installation of new freight handling infrastructure for the following reasons.

- Kingston is the paramount heritage site in a Territory known for its history and colonial buildings.
- Dredging of the reef off Kingston would be undesirable, particularly because, as the PPK Report pointed out, the reef could contain artefacts from the *HMS Sirius*, wrecked on the reef in 1790.
- Construction of further freight handling infrastructure at Kingston, including container depots, storage for barges or other equipment, land-based gantry cranes and the like, would detract from the natural beauty of the area.
- The operation of Kingston as a modern port, with trucks and trailers carrying containers off the jetty and past key historical sites, would be out of place in an area which has been preserved in the style and appearance of the 1840s.

RECOMMENDATION 23

5.145 The Committee recommends that Kingston be excluded from consideration as a potential site for any new harbour or freight handling infrastructure on Norfolk Island.

¹¹⁷ *Transcripts* p. 1014.

¹¹⁸ PPK Report, op.cit., p. 48.

¹¹⁹ *Transcripts* pp. 287–88.

Cascade

5.146 The PPK Report ultimately recommended Cascade as the preferred site for harbour facilities.¹²⁰ A photograph of the existing Cascade jetty (with a proposed extension drawn in) is at figure 5.2. Cascade was also the chosen site for the PPK contingency option, as follows:

If for any reason, within the next year or so, [that is, by early 1994] the development of a harbour proves to be unattainable, the alternative recommendation is the investigation of a pier extension at Cascade which will provide a lee for larger lighters to operate together with a ramp and slipway for the recovery of barges and tugs between shipments.¹²¹

5.147 Cascade cliff was recognised to have historical value, having been depicted in an early and noted painting of the island. However, there was a need for major earthworks to stabilise the cliff and to stop falling rocks whether the site was used for freight handling or not. Cascade was observed to be the most disturbed of all the potential harbour sites and the least likely to suffer as a result of further construction.

5.148 The Chamber of Commerce submitted that:

The collective consensus of all the reports compiled over the last 20 or more years unanimously chose Cascade and its existing pier as the number one preferred site for discharge, once extended. The main basis for this selection was because the potential rock source is located in the immediate vicinity and, once the existing pier was extended beyond the wave break point, it could be workable for 80 percent of the year or more.¹²²

5.149 The Committee had two concerns about Cascade as a site for freight handling on Norfolk Island, namely:

- the depth of water off the shore at Cascade and the implications for costs of construction of breakwaters or other deepwater harbour facilities; and
- the unsafe condition of the cliff.

5.150 The Royal Australian Navy provided the Committee with the maps prepared following bathymetric studies by the *HMAS Flinders* in 1993, showing the depth of water in Kingston, Cascade, and Ball Bay inlets. The Committee observed that, particularly at Cascade, the water is very deep close to shore. The Committee was concerned that the costs of construction of any harbour facilities at Cascade could be exorbitant.

¹²⁰ PPK Report, op.cit., p. 1.

¹²¹ Ibid.

¹²² *Submissions* p. 139.

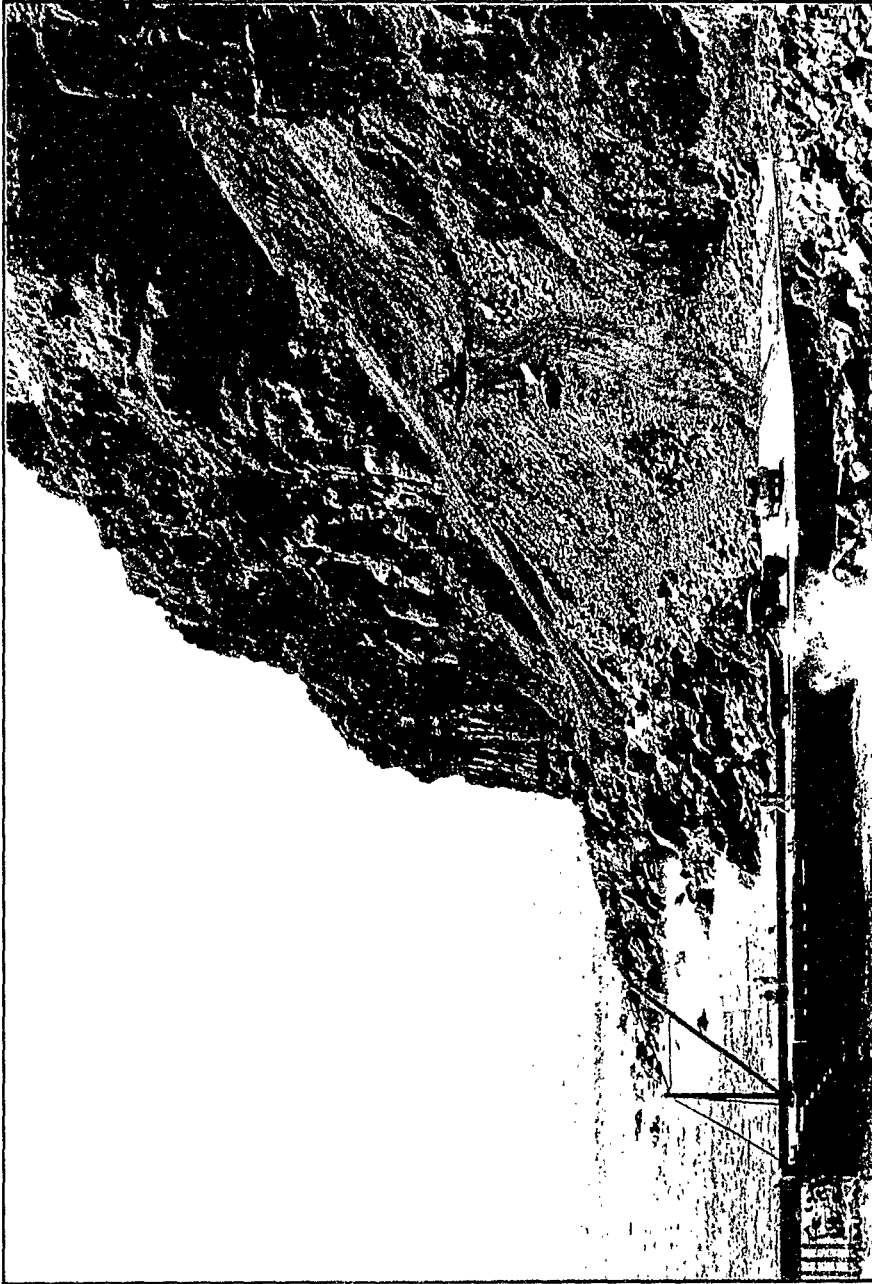


Figure 5.2 Cascade jetty, Norfolk Island

Source Norfolk Island Chamber of Commerce Inc. *Submissions* p 157

Existing Cascade pier showing proposed 20 m extension which would allow unloading to take place in the relatively slack water beyond the wave break point. The birds-eye view shows also a 3 m widening of the existing pier.

5.151 Mr Andrew Clinton, representing the Chamber of Commerce, considered the proposals for a deepwater harbour at Cascade impracticable.

If you look at the admiralty chart, you will see that people talk about having a harbour. In fact, certain people have said it is essential we have a harbour. It is absolutely impossible. Sydney Harbour is dredged to a depth of 42 feet. To put any sort of harbour off Cascade it would be in 100 feet of water. It would be physically impossible to do. It would cost hundreds of millions of dollars. It would not be practical. I think that must be said.¹²³

5.152 Mr Duncan Evans, shipping agent, addressed the first of the Committee's concerns. Acknowledging that the water at Cascade is very deep 20 metres out from the existing jetty, and that construction beyond 20 metres could therefore prove impracticable, Mr Evans rejected proposals for the extension of the Cascade jetty by as much as 100 metres¹²⁴ proposing instead a more modest upgrade.

If you extended it [Cascade jetty] 50 metres, you could almost tie ships of the size of the *Moana II* up alongside. But I think you will find that it is not feasible when you take into account the engineering considerations, by the time you get out into that sort of depth of water and the environmental considerations of trying to obtain that quantity of rock. Fifteen metres is quite feasible within current engineering skills on the island. It does not require massive quantities of rock and will not leave a visual scar on the environment.¹²⁵

5.153 Mr Ric Robinson, formerly Minister for Commerce and the Environment in the Norfolk Island Government, addressed the second of the Committee's concerns. Mr Robinson had developed a proposal to provide for the stabilisation of the cliff and the construction of new freight handling facilities simultaneously. He said:

There is a natural reef that starts just at the entrance to the quarry I formulated a plan whereby the overburden from that cliff would be pushed into the hole of the existing quarry and the cliff face benched. ... What I had planned to do was use the overburden to fill up the hole that is there, use the rocks taken from benching that site, partly for quarrying and partly to extend a natural reeflet that is down there and use the bigger boulders for that, of course. Apparently they need ten tonne size boulders before the seas will leave them where they are. I think there is more than enough metal in that cliff face to do that.¹²⁶

5.154 In the final analysis, the Committee has no objections to the development of freight handling facilities at Cascade provided action is taken to make the cliff safe. The Committee stresses that, at the present time, the site is quite unsafe.

¹²³ *Transcripts* p. 743.

¹²⁴ *Transcripts* p. 754.

¹²⁵ *Transcripts* p. 800.

¹²⁶ *Transcripts* p. 883.

Ball Bay

5.155 The PPK Report examined the potential for using Ball Bay as a harbour site. A photograph of Ball Bay is at figure 5.3. The PPK Report identified a number of problems with the use of Ball Bay as the primary freight handling site, including the following.

- Both of the headlands at the entrance to Ball Bay are reserves containing rare and specimen plants. Collins Head Reserve on the southern approach is a nesting site for noddies.¹²⁷ The Bay supports a rich marine environment, including rare molluscs and is also considered to provide views of great beauty.
- Ball Bay is very exposed to winds from the north east to south east.¹²⁸
- There could be a problem obtaining rock in sufficient quantities for the construction of deepwater harbour facilities, such as breakwaters. There is strong geological evidence to suggest that there is no suitable rock to be quarried at Ball Bay and that rock would need to be carted, probably from Cascade via roads that would need to be repaired and upgraded as a direct consequence of the haulage operations. The haulage of large quantities of rock would add millions of dollars to the construction cost of a harbour at Ball Bay.
- Ball Bay is used for fuel handling. The PPK Report noted that fuel and oils are currently unloaded at Ball Bay through a floating pipeline system and suggested that the use of Ball Bay for freight handling could pose the risk of damage to the pipeline with ensuing environmental damage.

5.156 The Committee also took evidence from the lighterage service that Ball Bay was not suitable for freight handling because it is too small and is already used for fuel tankers. Fuel and freight unloading were considered to be incompatible.¹²⁹

5.157 The Committee noted on its inspection of Ball Bay that the access roads to Ball Bay are steep and in poor condition and there is limited level ground for freight handling operations at the bay. The Committee was also concerned that the water at the mouth of Ball Bay is very deep and the costs of construction of deepwater facilities, such as breakwaters would be prohibitive.

¹²⁷ PPK Report, op.cit., p. 8.

¹²⁸ The Hon Michael King, Minister for Tourism and Works in the Norfolk Island Government, was particularly concerned about this factor, arguing that there was inadequate data on wave and wind climate in Ball Bay and that, although his gut feeling was that freight handling at Ball Bay would not be precluded by wind and wave action, it would be unwise to proceed without proper studies. *Transcripts* p. 1014.

¹²⁹ *Transcripts* p. 722.

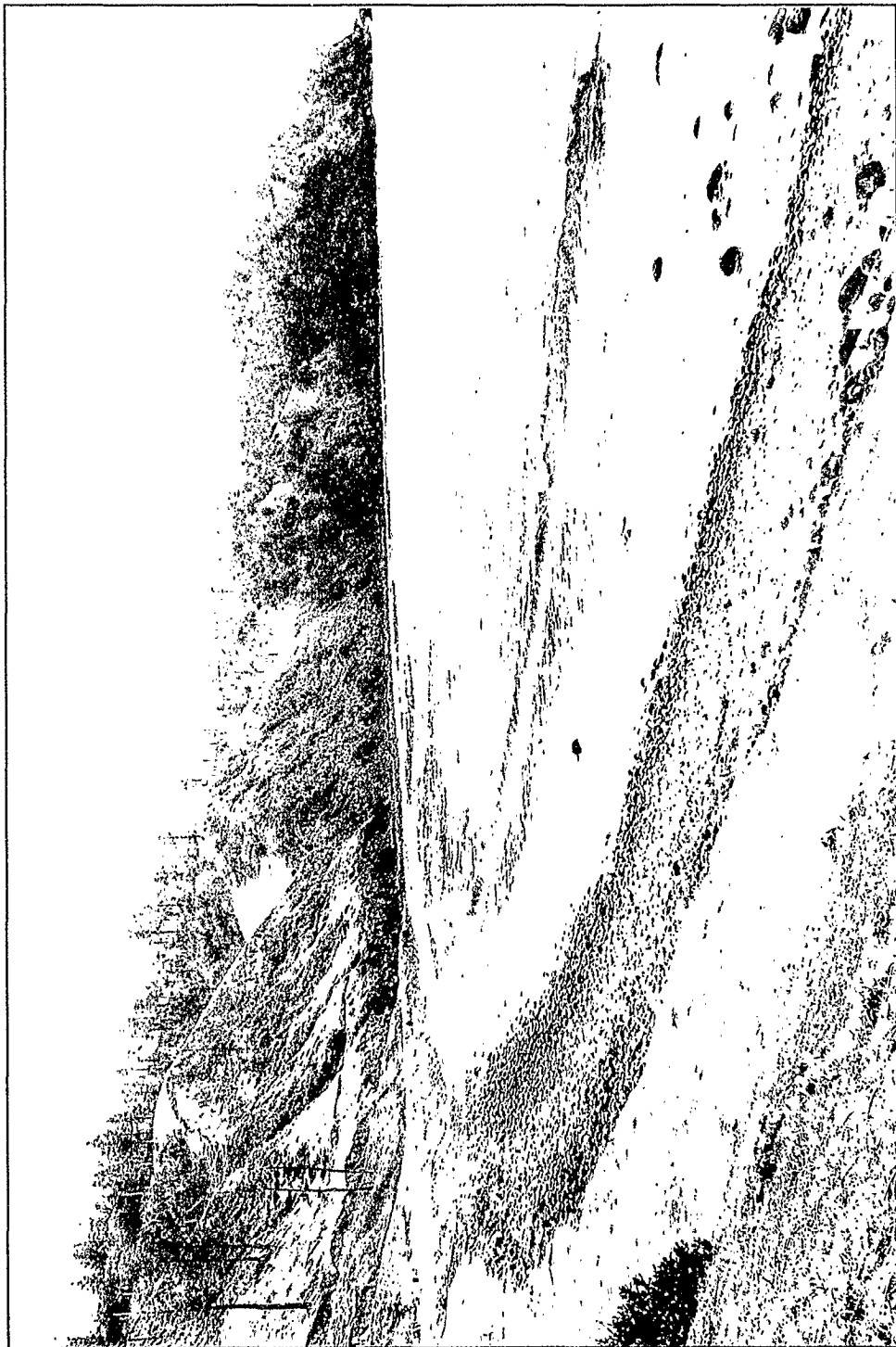


Figure 5.3 Ball Bay, Norfolk Island

Source Norfolk Island Chamber of Commerce Inc. *Submissions* p. 160.

5.158 The Committee was advised, late in the Inquiry, about a proposal by Norfolk Sealink to operate a shipping service to Norfolk Island using a stern landing vessel which would require berthing facilities at Ball Bay.

5.159 The Committee took evidence from Norfolk Sealink at a public hearing on 21 November 1994, offering the company an opportunity to address the concerns that had been raised in the PPK Report and elsewhere about the use of Ball Bay for freight handling.

5.160 The Directors of Norfolk Sealink were able to allay some of these concerns, explaining that:

- the marine environment of Ball Bay was not appreciably different from other parts of Norfolk Island;¹³⁰
- whereas the PPK Report had examined Ball Bay as a harbour site, the infrastructure proposed for stern landing vessel unloading operations was on a much smaller scale which would not require haulage of rock and would not go near the headlands;¹³¹
- on the basis of observations of fuel unloading in Ball Bay, the swell would not be a problem for freight handling operations from the stern landing vessel and no breakwaters would be required;¹³² and
- a new access road would be constructed to the top of the escarpment at Ball Bay at Norfolk Sealink's expense but this road would be separate from the present road used by the tankers and by tourists.¹³³

¹³⁰ *Transcripts* p. 962.

¹³¹ *Transcripts* pp. 974–75.

¹³² Mr Duncan Evans, Director, Norfolk Sealink, observed that Norfolk Island has a fuel tanker in port every four weeks on average. The fuel tankers cannot run the floating pipelines to shore if the swell is running. The average annual delay to fuel unloading operations is one and a half days per year. *Transcripts* pp. 963–64.

¹³³ *Transcripts* pp. 974–75.

5.161 On the issue of the incompatibility of fuel and freight handling, Mr Duncan Evans, Director of Norfolk Sealink, said:

Our jetty is about 75 metres away from the oil pipelines. ... There is no doubt that there is no way that you could, for example, have a tanker in Ball Bay and have the SLV [stern landing vessel] in Ball Bay at the same time. We would have to coordinate; you can only work one ship in there at a time. ... We would simply require some coordination between our schedule and that of the oil companies but that is not a major problem.¹³⁴

5.162 The Chamber of Commerce also considered that Ball Bay was a suitable site for freight handling, proposing that it also be developed as a marina.¹³⁵

5.163 The Committee would not support the choice of Ball Bay for the construction of a harbour. However, the Committee would not object to the use of Ball Bay for freight handling infrastructure on a smaller scale subject to a favourable environmental impact assessment.

Proposals for new infrastructure

5.164 The existing infrastructure for handling sea freight on Norfolk Island is deficient in a number of respects, notably because it imposes tight limits on the ships that can be worked and the type of freight that can be landed. The lighters cannot handle containerised freight.

5.165 Improved harbour infrastructure was also considered important to encourage cruise ships to visit Norfolk Island. The Committee took evidence that there were cruise lines keen to land passengers at Norfolk Island if a safe system could be devised.¹³⁶ The importance to the tourist industry of infrastructure that would allow liner passengers to visit Norfolk Island should not be understated. The ability to land tourists who would patronise all the Island's facilities, including historical attractions, restaurants and shops, but would not require accommodation on the Island, would assist the present policy of encouraging tourism without overdevelopment of Norfolk Island. The visits from cruise ships would also take pressure off Norfolk Island's present absolute dependence on air services. The Committee is of the view that new port infrastructure should facilitate passenger landings.

¹³⁴ *Transcripts* p. 964. Mr Evans also pointed out that, if the stern landing vessel was used to carry bulk fuel – which it has the capacity to carry at the same time as it is loaded with containers and break bulk cargo – then there would be even less risk of oil spill than there is with the large tankers floating pipelines to shore. *Transcripts* p. 964.

¹³⁵ *Submissions* pp. 138–40.

¹³⁶ *Transcripts* p. 799.

5.166 Five modes of improving freight handling infrastructure on Norfolk Island were suggested to the Committee.

- upgrading the existing jetties and lighterage system;
- installation of a land based derrick;
- use of motorised barges for ship to shore transport of containers;
- construction of a deepwater harbour;
- use of a stern landing vessel to provide a shipping service to Norfolk Island, requiring minimal infrastructure for unloading freight on Norfolk Island.

5.167 Each of these options is examined in detail below.

Upgrade of existing jetties

5.168 It was universally agreed that an upgrade of existing jetties and the purchase of some new equipment was long overdue. The harbour at Kingston required dredging. The jetty at Cascade required substantial repairs. It was submitted that such work would reduce to ten days per year the period in which the lighters could not operate because of rough seas.¹³⁷

5.169 Some parties considered that upgrading the existing freight handling system – with ship to shore transport of freight – was the preferred long term solution. The lighterage service favoured the upgrade of existing facilities but was of the view that Norfolk Island did not need a massive harbour development nor the introduction of containers.¹³⁸

5.170 Various parties submitted that Cascade jetty needed to be extended – up to 100 metres, widened and repaired. A photograph of Cascade jetty, with a proposed 20 metre extension drawn in, is at figure 5.2. This proposal was put forward by the Chamber of Commerce.¹³⁹

5.171 The Committee took evidence that a modest 15 metre extension was achievable with the current engineering skills available on Norfolk Island and would not require massive quantities of rock.¹⁴⁰

¹³⁷ *Submissions* p. 260.

¹³⁸ *Transcripts* p. 720.

¹³⁹ *Submissions* p. 157.

¹⁴⁰ *Transcripts* p. 800.

5.172 The lengthening of the jetty would allow the lighterage service to continue working in conditions where it must now stop because the waves are breaking at the jetty. A little further out, the water is calm unless there is a heavy swell. Also, larger lighters or barges could be accommodated if the jetty was extended. One view was that a small breakwater would be needed to protect the jetty extension.¹⁴¹ However, not everyone agreed that a breakwater was necessary.¹⁴²

5.173 The Committee is not attracted to 'bandaid' solutions to the freight handling problems on Norfolk Island and would not support minor upgrading of the jetties and lighterage equipment.

5.174 As discussed above, the Committee considers that the specifications for any new equipment to be installed on Norfolk Island should provide for the safe handling of fully loaded shipping containers.

5.175 If Norfolk Island is to continue to be serviced by ships that anchor at sea to unload cargo into barges or lighters for ship to shore transport, then the Committee would support the upgrading and extension of Cascade jetty in conjunction with a proposal to purchase new barges and a crane capable of landing fully loaded containers, provided the Cascade area is made safe for freight handling operations.

Land based derrick

5.176 As an alternative to the purchase of new lighters or barges, Mr Donald Gubbay, an engineer in the area of harbour construction and freight handling and also a shipping consultant commissioned by Sofrana Unilines in 1990 to establish a viable proposal for the Norfolk trade, proposed the installation of a Butters derrick or Scottish derrick at Cascade wharf.¹⁴³ This would eliminate the danger of unloading containers onto lighters or barges in swell conditions. The crane would be moved out on piles within reach of the ship to lift a container straight from the ship and swing it back to shore. The cranes could lift 30 tonnes at 30 metres.¹⁴⁴ It was suggested that the use of a land based crane would result in a dramatic reduction in freight costs because larger ships servicing the South Pacific would stop at Norfolk Island if there was an efficient way of discharging containers.¹⁴⁵

¹⁴¹ *Transcripts* p. 753.

¹⁴² *Transcripts* pp. 799–800.

¹⁴³ The Butters derrick proposed is essentially a cantilever crane, standing on a quadruped footing on shore. The Chamber of Commerce also considered this option. *Submissions* p. 141.

¹⁴⁴ *Transcripts* p. 117.

¹⁴⁵ *Transcripts* p. 119.

5.177 However, Mr Neville Christian, representing the Chamber of Commerce, considered fixed installations to be unsuitable, because wave action at the jetties could damage fixed equipment and maintenance costs would be 'horrific'.¹⁴⁶ Norfolk Islanders accepted that a new crane would be needed at the jetties on Norfolk Island to lift containerised freight¹⁴⁷ but some indicated a preference for a mobile crane.¹⁴⁸

5.178 Mr Duncan Evans, shipping agent, did not support the Butters derrick option. He said the previous management of Sofrana had investigated the possibility of installing a fixed gantry crane at Kingston or Cascade. It was considered that the large seas which break over the jetties during cyclonic conditions would seriously damage a fixed crane. He also considered that Norfolk Island needed the flexibility of a mobile crane which could be used for building projects, lifting power poles into place and other infrastructure development.¹⁴⁹

5.179 Becfab also raised some concerns about a fixed installation, including the fact that ships would be required to moor off the coast and deep sea mooring systems are expensive to maintain.¹⁵⁰

5.180 The Committee is not convinced that the Butters derrick is the solution for Norfolk Island.

Motorised barges

5.181 The replacement of the lighters with barges was proposed as a way of equipping Norfolk Island for the anticipated move to containerised freight.

5.182 Proposals for the purchase of motorised barges to carry containerised freight between ship and shore were put to the Committee by the Chamber of Commerce and by Mr Duncan Evans, shipping agent.

5.183 The Chamber of Commerce proposed the use of motorised barges in the sheltered waters of Ball Bay. A marina would be built at Ball Bay with a straddle crane to lift containers off the barges and to lift the barges out of the water.

¹⁴⁶ *Transcripts* p. 753.

¹⁴⁷ The lifting capacity of the Kato crane currently used for freight handling is 16 tonnes.

¹⁴⁸ *Transcripts* p. 753.

¹⁴⁹ *Transcripts* p. 797.

¹⁵⁰ *Submissions* pp. 824–27.

5.184 Mr Evans proposed the purchase of three motorised lighter barges to carry containers from ships to Cascade jetty, with a new crane on the wharf capable of lifting fully loaded containers. Cascade jetty would require strengthening, repairs and extension to accommodate the additional loads associated with container handling.¹⁵¹

5.185 However, the Committee was cautioned against embracing too readily proposals for the use of barges at Norfolk Island. Mr Donald Gubbay, International Business and Technical consultant, warned that conditions in the unsheltered waters surrounding Norfolk Island were not conducive to unloading containers into barges.¹⁵²

5.186 Becfab, a manufacturer of barges and other marine equipment, proposed the use of an amphibious landing vessel [illustrated at figure 4.4] to land freight containers at Kingston. The amphibious landing vessels would skim over the reef to land on the beach. Amphibious landing vessels were said to be more stable than lighters and able to work in rougher conditions. However, freight operations could still be interrupted if it were to become too difficult to lower containers on the ship's derrick in swell conditions. Becfab observed that it would welcome data on sea and weather conditions at Norfolk Island to assist it in developing a firm proposal.¹⁵³

5.187 The amphibious landing vessels are worth approximately \$1.1 million each¹⁵⁴ and would require minimal new infrastructure on shore – simply a crane or lifting frame to transfer the containers from the vessel to trucks and trailers. An amphibious landing vessel also could be used for passenger travel. It would be possible to plug the deck and sit a complete passenger module on top.¹⁵⁵

5.188 Mr Barry Wilson, Managing Director, Hunter International Pty Ltd, proposed the use of LACV-30 craft [hoverbarges] to carry containers between ship and shore, as proposed for the Indian Ocean Territories and illustrated at figure 4.5. The use of hoverbarges to land containers at Kingston or Ball Bay would require the construction of a ramp adjacent to the jetty, leading up to the access road. The ramp would not need to be costly – it would just need to be bulldozed at about a one in ten gradient. Mr Wilson considered the best site for hoverbarge operations would probably be Ball Bay, provided it was possible for trucks to be loaded and capable of dragging containers up the steep access road.¹⁵⁶

¹⁵¹ *Transcripts* pp. 794–95.

¹⁵² *Submissions* pp. 173–74, *Transcripts* pp. 114–15.

¹⁵³ *Transcripts* pp. 161–62.

¹⁵⁴ *Transcripts* p. 164.

¹⁵⁵ *Transcripts* pp. 178–79.

¹⁵⁶ *Transcripts* pp. 910–11.

5.189 Norfolk Islanders were not 'sold' on the concept of hoverbarges. Mr Neville Christian, representing the Chamber of Commerce, believed that hovercraft of any kind were notoriously expensive to maintain and that Norfolk Island needed something simple and robust.¹⁵⁷ Similarly, Mr Duncan Evans, shipping agent, believed that hovercraft were expensive to maintain.¹⁵⁸

5.190 Any of these proposals for the use of motorised barges would bring freight handling on Norfolk Island into line with freight handling operations in the Indian Ocean Territories. This would be an improvement, in that Norfolk Island would be able to handle containerised cargo. The Committee considers that the purchase of motorised barges and a crane, capable of handling fully loaded containers, would be a reasonable 'fallback' option for Norfolk Island.

Deepwater harbour construction

5.191 The PPK Report gave some indicative costings of harbour construction at different sites at Norfolk Island. The minimum estimate was \$27.8 million for a harbour at Cascade.¹⁵⁹ However, the PPK Report also recommended that detailed bathymetric surveys, seismic traverses of the seabed and diamond drilling geological investigations be carried out at an estimated cost in excess of \$400 000.

5.192 It could be argued that a deepwater harbour would be uneconomic for Norfolk Island since the cost of construction would need to be recouped from future freight charges.¹⁶⁰

5.193 The Norfolk Island Government has stated that, although the PPK Report favours a sheltered harbour, the Government has not yet indicated this to be its preferred option.¹⁶¹

5.194 The Norfolk Island Government was of the view that insufficient technical studies had been done on the condition of the seabed and the long term trends on wave and wind patterns, for there to be any serious discussions about the type of port infrastructure most suitable for Norfolk Island.¹⁶²

¹⁵⁷ *Transcripts* p. 753.

¹⁵⁸ *Transcripts* p. 798.

¹⁵⁹ PPK Report, op.cit., p. 56.

¹⁶⁰ *Transcripts* p. 101.

¹⁶¹ *Submissions* p. 358.

¹⁶² *Transcripts* p. 863.

5.195 DEST also favoured the completion of technical studies before any decision was made on harbour infrastructure for Norfolk Island.

... I think our ... view would be that we are concerned about some of the solutions which appear to be the kind of cheap, makeshift options. So I think we would prefer to be talking to the Norfolk Island government about how proper studies might be done. If the Commonwealth is going to be involved, I think one of the ground rules would be that we would be wanting proper studies to be done in relation to the different options at Cascade and Kingston so that we could proceed on the basis of some firm knowledge.

... we have heard some suggestions that we simply kind of bulldoze rocks into the ocean [at Cascade], but I think before the Commonwealth was to be involved in that kind of thing we would really be saying, 'We believe it ought to be done properly.'¹⁶³

5.196 The Committee is of the view that deepwater harbour construction is inappropriate for Norfolk Island. The estimated initial capital costs and likely ongoing repair and maintenance costs for such construction would be out of all proportion to the volumes of freight delivered to Norfolk Island and the size of the population. The Committee advises against deepwater harbour construction at Norfolk Island.

Stern landing vessel

5.197 Norfolk Sealink proposed the construction of berthing facilities at Ball Bay to facilitate unloading operations from a stern landing vessel. The stern landing vessel [illustrated at figure 4.6] is a shallow draught vessel which can reverse into the shore and lower a wide metal ramp onto a landing ramp to allow trucks to drive containerised or break bulk cargo straight off the ship. Roll-on/roll-off (RO/RO) operations from the stern landing vessel were claimed to require minimal land based infrastructure.

5.198 To allow the stern landing vessel to unload at Ball Bay, Norfolk Sealink proposed to undertake the following works at the company's expense.

- A narrow basin, no more than 20 metres wide, would be dredged to a depth of 2.5 metres at low tide, in the centre of Ball Bay.
- The dredged rock would be used in the construction of a 50 metre long jetty beside the basin. One side of the jetty would open to the sea with a gradient designed to break the impact of waves. The other side of the jetty would be sheet piled with concrete and equipped with fenders to absorb impact. The stern landing vessel would berth alongside the concrete side of the jetty. The jetty would be two metres above sea level.
- A concrete landing ramp would be built next to the jetty.
- The old Ball Bay road would be reconstructed so that trucks carrying freight could be diverted from the scenic tourist road.

¹⁶³ *Transcripts* p. 949.

- A container depot would be built at the top of the escarpment at Ball Bay.¹⁶⁴

5.199 Mr Neville Christian, Executive Director of Norfolk Sealink, had been involved in the construction of temporary jetties at Ball Bay in the past, most recently in 1992 when a landing ramp was constructed to allow heavy equipment required for the upgrading of the airstrip to be driven onto Norfolk Island.

5.200 The Committee had three main concerns about this proposal. The first was the siting of the facility at Ball Bay. This matter has been discussed above where the Committee concluded that any development at Ball Bay should be subject to an environmental impact assessment.

5.201 The Committee was also concerned that the proposed stern landing vessel facilities were essentially single purpose, although Norfolk Sealink assured the Committee that the jetty would be useful to assist passenger landings on Norfolk Island.¹⁶⁵ The facilities proposed by Norfolk Sealink have been designed for stern landing vessel operations and any advantages that this infrastructure might offer for other, future, freight handling systems are entirely incidental. This is not an absolute bar to the proposal proceeding, in the Committee's view. However, it would be an obstacle to public funding of the infrastructure.

5.202 The Committee's remaining concern related to unresolved debate over whether or not it would be essential for freight handling operations at Ball Bay to be protected by breakwaters built from the headlands at the entrance to Ball Bay.

5.203 Initially, ASDMAR Pty Ltd, architects of the stern landing vessel, had submitted to the Committee that breakwaters should be built at Ball Bay to shelter stern landing vessel operations.¹⁶⁶ ASDMAR proposed the construction of curved sea walls from both the southern and northern entrance to Ball Bay from concrete tetrapods.

5.204 At the public hearing on 21 November 1994, both ASDMAR and Norfolk Sealink asserted that the stern landing vessel could unload in Ball Bay without the need for breakwaters. The stern landing vessel could unload in a slight swell and the arrival of the stern landing vessel at Norfolk Island would be able to be delayed when severe swell conditions prevailed at Ball Bay. The Chamber of Commerce, as well as ASDMAR and Norfolk Sealink, supported the development of Ball Bay as a sheltered anchorage for all types of vessels¹⁶⁷ and the construction of a breakwater was proposed in this broader context.

¹⁶⁴ *Transcripts* pp. 955–63.

¹⁶⁵ *Transcripts* p. 981.

¹⁶⁶ *Submissions* p. 1050.

¹⁶⁷ *Transcripts* pp. 963 & 983. *Submissions* p. 138.

5.205 The Committee would not consider it appropriate for the Commonwealth to fund breakwaters at Ball Bay.

Conclusions on new freight handling infrastructure

5.206 Access to Norfolk Island by sea is vital for the survival of the Norfolk Island community. Infrastructure for the safe unloading of vessels must be provided at Norfolk Island. The Committee advises against the construction of a multi-million dollar harbour facility at Norfolk Island, as proposed in the PPK Report. The Committee considers a projected investment of \$27 million or more to be unjustified given the small population and the limited freight volumes for the Island. The Committee also advises against the construction of breakwaters off the coast of Norfolk Island on the same grounds.

5.207 Amongst the other options presented to it, the Committee is most attracted to the stern landing vessel proposal because it offers the greatest potential efficiencies in freight handling on Norfolk Island. However, the stern landing vessel proposal is an integrated proposal. The infrastructure proposed to be installed for stern landing vessel operations at Ball Bay would not necessarily suit other methods of freight handling (such as ship to shore transport by barges). For this reason, the Committee considers it would be inappropriate for the Commonwealth to contribute to the funding of this infrastructure. The Committee would not oppose the private funding and construction of the infrastructure, subject to the proposal receiving all necessary engineering and environmental approvals.

5.208 The Committee believes that the Norfolk Island Government should grant all permits necessary for the construction and operation of stern landing vessel berthing facilities at Ball Bay – including the dredged basin, jetty, landing ramp, access road and container store – subject to an acceptable Environmental Impact Statement being provided in relation to the proposed works. The permits could be issued by the Norfolk Island Government on reasonable conditions to protect the rights of the Norfolk Island community.

5.209 In the event that no stern landing vessel proposal proceeds, the Committee considers that Norfolk Island should still be equipped to handle containerised freight. To this end, the Committee would support the purchase of motorised barges and a mobile crane capable of lifting fully loaded shipping containers, along with any necessary extension, widening and repair of Cascade jetty that would be necessary to accommodate such barges and crane.

5.210 This latter option would improve Norfolk Island freight handling procedures at least to the standard already achieved in the Indian Ocean Territories.

Exclusive shipping licence

5.211 An important matter that must be determined in relation to a shipping service to Norfolk Island is whether or not the Norfolk Island Government is prepared to offer a shipping line an exclusive licence to operate a shipping service to Norfolk Island for a specified period of time. The Committee believes it is necessary that a firm decision be taken on this issue.

5.212 Mr Peter Warner, Director, W Islands Line – operating the *Moana II* to Norfolk Island, suggested that the uncertainty about the future of shipping services to Norfolk Island had arisen because of uncertainty about the plans of the Norfolk Island Government in relation to shipping. Shipping lines could not justify an investment in the Norfolk Island trade without knowing what the future held.¹⁶⁸ In evidence, Mr Duncan Evans, Norfolk Island agent for both Sofrana Unilines and W Islands Line pointed out that these shipping lines had not been extended the courtesy of prior notice when the Norfolk Island Government called for expressions of interest in the carriage of goods by sea to Norfolk Island.¹⁶⁹ The Norfolk Island Government admitted that this could have been handled better.¹⁷⁰

5.213 Mr Warner recommended that exclusive licences be issued to shipping lines servicing Norfolk Island on the grounds that there was insufficient volume of freight to support viable competitive operations.¹⁷¹ The Norfolk Island trade could support a dedicated service to Norfolk Island only if there was one operator with an exclusive licence to serve Norfolk Island from both mainland Australia and New Zealand.¹⁷² Mr Warner pointed out that the Norfolk Island Government had not granted an exclusive licence to a freight shipping line even though it had granted such a licence to the fuel tanker which supplies Norfolk Island.¹⁷³

¹⁶⁸ *Transcripts* p. 102.

¹⁶⁹ *Transcripts* pp. 788–90.

¹⁷⁰ *Transcripts* p. 861.

¹⁷¹ *Submissions* p. 536.

¹⁷² *Transcripts* p. 102.

¹⁷³ *Submissions* p. 535.

5.214 Mr Duncan Evans, shipping agent, gave the Committee a brief history of shipping to Norfolk Island over the last ten years.¹⁷⁴ According to his account, there had been competition for the Norfolk Island trade in the past, most recently in 1992 when Celtic Pacific Shipping had attempted to win a share of the freight trade to Norfolk Island by offering freight rates 34% below the prevailing rates ex-New Zealand and 6% below the rates ex-mainland Australia. However, Celtic had failed to attract sufficient volume of freight to meet the minimum volume of 300 tonnes per voyage [below which tonnage shipping lines must pay a monetary penalty to the Norfolk Island Administration]. It followed that the competing service was not viable.

5.215 Mr Evans was of the view that, 'the volume of freight handled by sea into Norfolk Island is only sufficient for a single shipping operator to provide a viable service.'¹⁷⁵ Mr Donald Gubbay, International Business and Technical Consultant, also believed that the Norfolk Island trade would only support one shipping line.¹⁷⁶

5.216 Norfolk Sealink, in connection with its plans to operate a shipping service to Norfolk Island from 1995 using a stern landing vessel, requested the Committee to support the granting of a five year exclusive licence on the Norfolk Island route, even though the company was fairly confident that it could rely on support from Norfolk Island shippers. Mr Duncan Evans, Director of Norfolk Sealink, explained the company's reason for seeking an exclusive licence:

Really, the licence is just to ensure that we do not have a potential competitor for the first five years. Because of the dramatic improvement in getting cargo to Norfolk, with complete reduction in damage and pilferage and an improved sailing frequency of 17 days as compared with 35 days, I would be very surprised if anybody else even attempted to compete with us.¹⁷⁷

¹⁷⁴ *Submissions* pp. 262–63.

¹⁷⁵ *Submissions* p. 263.

¹⁷⁶ *Submissions* pp. 1004–05.

¹⁷⁷ *Transcripts* p. 978.

5.217 Mr Stuart Ballantyne, Managing Director, ASDMAR Pty Ltd, who had prepared the feasibility study for Norfolk Sealink, emphasised the need for the grant of an exclusive licence to Norfolk Sealink to enable the new company to withstand potential predatory conduct on the part of the incumbent shipping lines in the South Pacific and particularly those already on the Norfolk Island route. When asked if the Norfolk Sealink proposal was financially viable, Mr Ballantyne replied:

Yes ... I think that when you say 'viable', initially, the only period I see as a problem is the start-up as to when the other players will leave. The people that you are competing with on that run are all cross-traders. They are second registry or flag of convenience and they have got all old ships. No doubt they have written-off those ships years ago, so they do not have to repay a capital component. If they say, 'We are going to stay in there just for the hell of it,' it might make it tough financially for this new company. That is where the Norfolk Island administration comes in as a facilitator. It should be saying, 'We need to support this,' or perhaps they may choose not to.

...

Unfortunately for the shipping industry—and particularly in this country—the bankers are suspicious of anything that floats. They think it is automatically geared to a bottom of the harbour scheme and so, subsequently, it is extremely hard to get money. The collateral requirements are extremely difficult. ... It is in that particular stage, if you are then competing with some pirates who know that you are geared that way, that they will all club together and say, 'We will take these guys and we will put them out of business, we will just cut the rate for the next year,' that is where the support really has to come in.¹⁷⁸

5.218 If an exclusive licence were to be granted by the Norfolk Island Government, conditions could be imposed on the licensee for the term of the licence to protect the Norfolk Island community. Such conditions could provide for:

- a levy to be paid to the Norfolk Island Government for the use of any infrastructure provided and maintained by the Norfolk Island Government;¹⁷⁹
- a freight rate formula, allowing for rate increases in line with operating costs but precluding arbitrary increases in freight rates;
- the frequency of service to be provided and any other performance indicators (such as a requirement that freezer containers be carried, for example);
- the safety of freight handling operations at Norfolk Island, both in terms of marine workers and the environment; and
- the penalties or forms of redress for non-compliance with conditions of the licence.

¹⁷⁸ *Transcripts* p. 990.

¹⁷⁹ In setting any such fee, the Norfolk Island Government should be mindful that this levy would be likely to be passed on to shippers in the form of higher freight rates.

5.219 The Committee is not averse to having a single operator on the Norfolk Island route if that operator is appointed as the result of a competitive tendering process, provided there are conditions to protect the clients for the term of the arrangement. It should also be made clear in the terms of any such licence that neither the Commonwealth nor the Norfolk Island Governments would be liable in the event of any loss or damage during freight handling operations.

5.220 The Committee considers it would be appropriate for the Norfolk Island Government to grant to a shipping line an exclusive licence for five years to provide a dedicated shipping service from mainland Australia and/or New Zealand to Norfolk Island on reasonable terms and conditions to be determined by the Norfolk Island Government. The licence arrangements should be finalised as soon as possible and preferably prior to 30 June 1995.

5.221 The Committee notes that all the shipping proposals submitted to the Committee proposed that freight rates be maintained at existing levels or reduced. The Committee observes that the current freight rates are high, even compared to the more remote Indian Ocean Territories. It was inherent in proposals for containerisation of freight to Norfolk Island that freight rates would be reduced markedly – by at least 20% and probably more. The Committee believes that any exclusive licence granted by the Norfolk Island Government to a carrier should contain a pricing formula which commits the licensee to achieving lower freight rates, and, in the event that the shipping line also provides freight handling services, lower freight handling rates, for shippers on Norfolk Island.

Future shipping options

5.222 In April 1994, the Norfolk Island Government called for expressions of interest in the carriage of goods by sea between Norfolk Island and Australia/New Zealand.

5.223 The impetus for the call for expressions of interest in operating a shipping service to Norfolk Island appears to be a dawning recognition that the type of vessels serving Norfolk Island – that is, break bulk vessels fitted with union purchase gear – may not be available in the near future. The PPK Report stated, *inter alia*, that ships with union purchase gear were obsolete and could be unavailable by 1998.¹⁸⁰

¹⁸⁰ PPK Report, *op.cit.*, p. 1. Mr Peter Warner, a Director of W Islands Line, rebutted this claim. Mr Warner considered that W Islands Line could obtain another union purchase vessel in the Caribbean, where vessels around 20 years old are used in the fruit trade. *Transcripts* p. 102.

5.224 The Committee was initially told that the advertisement had elicited over sixty expressions of interest,¹⁸¹ but was later informed that there had been some 50 oral expressions of interest of which only 'half-a-dozen' had developed into formal expressions of interest.¹⁸² At the public hearing on 21 November 1994, the Hon Michael King MLA, representing the Norfolk Island Government, told the Committee the process of seeking expressions of interest had been abandoned for all intents and purposes.¹⁸³

5.225 The Committee is aware of the following expressions of interest.

- Sofrana Unilines and W Islands Line proposed to combine financial resources to provide a dedicated containerised freight service to Norfolk Island from both mainland Australia and New Zealand, commencing early 1996, using a ship which was carrying lime to Misama Island.¹⁸⁴
- Cook Islands National Shipping Line indicated that, if Norfolk Island was prepared to take fully containerised freight, a larger ship would be deployed on the route and it was estimated freight rates would come down by 30%.¹⁸⁵
- Lord Howe Shipping had approached the Norfolk Island Government but the details of any possible service had not been finalised when the Committee took evidence from the Norfolk Island Government on 21 November 1994.¹⁸⁶
- ASDMAR Pty Ltd, a Queensland firm of naval architects and designers, proposed to the Norfolk Island Government that ASDMAR conduct a 'mini-feasibility' study for Norfolk Island on the type of vessel best suited for a dedicated shipping service to Norfolk Island. ASDMAR submitted that a better frequency service should be able to be achieved with existing freight rates.¹⁸⁷

5.226 ASDMAR advised the Committee on 5 October 1994 that a newly formed Norfolk Island company, Norfolk Sealink, had decided to proceed with the acquisition of a stern landing vessel.¹⁸⁸

¹⁸¹ *Transcripts* p. 860.

¹⁸² *Transcripts* p. 1004.

¹⁸³ *Transcripts* pp. 1004-06.

¹⁸⁴ *Transcripts* p. 802. Exhibit No. 43.

¹⁸⁵ *Transcripts* pp. 830-37. The Committee has since been informed that Cook Islands Line had already operated two voyages from New Zealand to Norfolk Island, and had embarked on its third voyage in September. Exhibit No. 67.

¹⁸⁶ *Transcripts* p. 1011.

¹⁸⁷ *Submissions* pp. 991-93.

¹⁸⁸ *Submissions* p. 1050.

Norfolk Sealink proposal

5.227 The Committee was informed that Norfolk Sealink, a company about to be incorporated in Norfolk Island, proposed to enter into a joint venture with an Australian shipping company to run a dedicated shipping service to Norfolk Island. A stern landing vessel would be purchased to operate the service.¹⁸⁹ The Committee took evidence from the Directors of Norfolk Sealink, Mr Neville Christian and Mr Duncan Evans, at a public hearing in Brisbane on 21 November 1994.

5.228 Norfolk Sealink had signed a Letter of Intent to commission a 50 metre stern landing vessel for delivery in the third quarter of 1995 at an estimated cost of \$5.5 million.¹⁹⁰

5.229 It was proposed that the stern landing vessel would operate a service Sydney – Norfolk Island – Auckland – Norfolk Island – Sydney, with a sailing frequency of 17 days.¹⁹¹

5.230 The 50 metre stern landing vessel would be configured to carry up to 39 containers, including refrigerated and freezer containers, as well as 300 cubic metres of break bulk cargo, including over length building materials and motor vehicles. The vessel could also carry bulk goods such as sand and gravel in open containers. Up to 400 tonnes of bulk diesel fuel could be carried in tanks built into the hull. Motor spirit and aviation gasoline could be carried in tank containers on deck.¹⁹²

¹⁸⁹ A Memorandum of Understanding had been agreed with a major Australian trading company to form a joint venture to operate the shipping service. The trading company was described to the Committee as a public company listed on the Australian Stock Exchange with extensive shipping interests in Australia and the South-west Pacific, and with sales in the last financial year of \$2786 million. The trading company offered Norfolk Sealink its extensive experience and expertise in ship management and operation, crewing and ship finance. *Transcripts* p. 955.

¹⁹⁰ *Transcripts* p. 954.

¹⁹¹ Alternatively, the stern landing vessel could load Australian freight in Yamba or Brisbane. Norfolk Sealink was prepared to consult with Norfolk Island shippers in this regard. At Brisbane, the stern ramp facilities at Fisherman's Island were removed but the Maritime Services Board had proposed the installation of a small ramp. *Transcripts* pp. 965 & 996.

¹⁹² *Transcripts* pp. 955 & 958–60.

5.231 It was claimed that the new stern landing vessel service would provide the following benefits to Norfolk Island:¹⁹³

- reduction in the cost of shipping goods to Norfolk Island;¹⁹⁴
- improvement in the quality and frequency of the shipping service;
- attractive back cargo rates to stimulate local industry;
- opportunities for local employment and a career path into the merchant navy;¹⁹⁵
- containerisation of cargo to eliminate cargo damage, pilfering and to reduce packaging costs; and
- dedicated, improved and efficient shipping service for Norfolk Island.

5.232 Most importantly, the commissioning of the ship was scheduled to allow Norfolk Sealink to take over from the existing shipping service from mainland Australia to Norfolk Island when the *Capitaine Wallis* is taken out of service at the end of 1995 without interruption in freight services to Norfolk Island shippers.

5.233 While the shipping service itself offered all these advantages, perhaps the key attraction of the proposal to use a stern landing vessel was that it was said to require minimal freight handling infrastructure on Norfolk Island. Norfolk Sealink was prepared to finance all the capital works required for unloading the stern landing vessel at Norfolk Island.

¹⁹³ *Transcripts* p. 955.

¹⁹⁴ Norfolk Sealink estimated that freight rates would be reduced by approximately 20% on what Norfolk Islanders were paying under the present system to ship freight 'door to door'. Norfolk Sealink would endeavour to hold freight rates [constant] for the term of any exclusive licence granted to the company to ship freight to Norfolk Island. However, there would need to be provision for increases in freight rates in response to certain trigger points – such as unexpected and dramatic fuel price increases or interest rate increases beyond those allowed in the financial models. *Transcripts* pp. 965 & 979.

¹⁹⁵ Mr Duncan Evans, a Director of Norfolk Sealink but also the shipping agent on Norfolk Island, observed that there were virtually no qualified seamen on Norfolk Island – maybe two people with a mate's ticket. Norfolk Sealink was keen to encourage Norfolk Islanders who wished to take up a career in the merchant navy, and would provide them with a facility to do their sea-time in cadetships. *Transcripts* pp. 957–58.

5.234 It was intended that the stern landing vessel would discharge cargo at Ball Bay. The vessel would reverse onto shore, lower its landing ramp onto a concrete ramp on the shore and trucks would drive on and off the vessel to be loaded with containers or other cargo. The stern landing vessel would be equipped with a travelling gantry crane, with 25 tonne lifting capacity, to load containers onto trucks or trailers.¹⁹⁶

5.235 In addition to the concrete ramp it was intended to dredge a small docking basin incorporating a 50 metre jetty along one side. The jetty would provide safe berthing for the stern landing vessel. Norfolk Sealink also proposed to build a bond store on land already acquired at the top of Ball Bay. To facilitate the transport of containers from the bottom to the top of the Ball Bay escarpment, the old Ball Bay Road would be reconstructed. Written application had been made to the Administrator of Norfolk Island for permission to carry out this dredging and construction.¹⁹⁷

5.236 Norfolk Sealink considered its proposal to be viable without any assistance from the Commonwealth or Norfolk Island Governments. However, Norfolk Sealink petitioned the Committee to consider:

- a Commonwealth grant to Norfolk Sealink equivalent to the Ships Capital Grant;¹⁹⁸
- granting Norfolk Sealink an exclusive licence to operate a shipping service to Norfolk Island for up to five years; and
- a financial contribution by the Commonwealth and/or Norfolk Island Governments towards new port infrastructure.

¹⁹⁶ *Transcripts* p. 987.

¹⁹⁷ *Transcripts* p. 955.

¹⁹⁸ Grants under the *Ships (Capital Grants) Act 1987*, are worth 7% of the purchase price of a ship, and are paid to owners of Australian registered and crewed trading vessels at least 60 metres in length. As the stern landing vessel would only be 49.9 metres in length, Norfolk Sealink submitted it would be ineligible for the grant. The Committee was asked to consider an ex-gratia payment by the Commonwealth [of about \$385 000] to Norfolk Sealink in lieu of the Ships Capital Grant. *Transcripts* p. 955.

5.237 The Committee also took evidence on the Norfolk Sealink proposal from Mr Stuart Ballantyne, Managing Director, ASDMAR Pty Ltd, the firm of naval architects that had conducted the feasibility study for Norfolk Sealink and the designer of the stern landing vessel. Mr Ballantyne was able to satisfy the Committee's concerns about the viability of the Norfolk Sealink proposal in regard to a number of technical matters, including:

- the suitability of the craft for voyages in open seas;¹⁹⁹
- the ability of the stern landing vessel to unload safely at Norfolk Island (in Ball Bay) without the need for massive infrastructure such as breakwaters;²⁰⁰ and
- that shipping charges such as lease of containers, consolidation of containers had been factored into the feasibility study.²⁰¹

5.238 The Committee was impressed with the Norfolk Sealink proposal. In particular, the Committee recognises:

- that the service has been specially designed to meet the shipping needs of Norfolk Island well into the future;
- that the Norfolk Sealink proposal is achievable within twelve months so that there need be no interruption to the shipping service to Norfolk Island when the present operators withdraw;
- that the investment by Norfolk Sealink of \$100 000 in an assessment program for the stern landing vessel proposal represents a commitment to give the Norfolk Island community real control over its future shipping services;
- that the Directors of Norfolk Sealink demonstrated a concern that their proposal benefit the Norfolk Island community beyond simply providing a more reliable freight service – including new employment opportunities for Norfolk Islanders, access to the jetty facility for the fishing industry, and the relinquishment of ownership of the privately financed facilities in Ball Bay after five years;²⁰²
- that the proposal is integrated – ensuring the synchronous development of shipping and freight handling infrastructure for Norfolk Island; and
- that the proposal is not dependent on government assistance.

¹⁹⁹ *Transcripts* pp. 985–86.

²⁰⁰ *Transcripts* pp. 988–89.

²⁰¹ *Transcripts* p. 989.

²⁰² *Transcripts* pp. 961 & 973.

5.239 The Committee also noted with interest the view of the Hon Michael King MLA, representing the Norfolk Island Government, concerning likely community attitudes to the Norfolk Sealink proposal.

I can talk to you about two predominant attitudes in the community. One is that of the business sector, the commercial sector, that the government is not doing anything about it and they wish good luck to Norfolk Sealink. The other attitude on the other end of the spectrum has come to me from those in the stevedoring lighterage operation now who appear to have accepted that major changes are going to take place but have expressed clearly to me that the operation should not be run by private enterprise but should be owned and operated by the government. So there are two totally different points of view. Where the balance lies, I do not know.²⁰³

Conclusions on future shipping services

5.240 The Committee is concerned that the Norfolk Island Government has not put in place a strategic plan for the provision of a shipping service between the Australian mainland and Norfolk Island when Sofrana Unilines withdraws the *Capitaine Wallis* from service in 1995. The Committee was informed in November 1994 that the process of calling and examining expressions of interest for shipping, initiated by the Norfolk Island Government in early 1994, had been put aside.²⁰⁴

5.241 The Committee is also concerned that the Norfolk Island Government may attempt to become involved in the ownership and operation of a shipping service to Norfolk Island. The Committee considers this would be undesirable, although not all Committee members shared this view.

5.242 The Committee would support initiatives by private enterprise to provide a shipping service specifically designed for the needs of the Norfolk Island community. The Committee considers the Norfolk Sealink proposal to be worthy of support but would also support other initiatives by private enterprise to offer a shipping service specifically designed to meet the needs of shippers on Norfolk Island.

²⁰³ *Transcripts* p. 1016.

²⁰⁴ *Transcripts* pp. 1004–06.

5.243 In this context, the Committee considers that it would be appropriate for the Commonwealth to make an ex-gratia payment equivalent to the Capital Ships Grant to any private enterprise willing to purchase a ship to be used principally for the Norfolk Island freight trade, where the ship purchased for the Norfolk Island trade is smaller than would qualify for the Ships Capital Grant. The Committee considers that such a grant would offer the following benefits to both the Australian and Norfolk Island economies.

- Financial assistance for the purchase of a smaller ship would promote the provision of a dedicated shipping service to Norfolk Island. On projected freight volumes, the Norfolk Island trade would be unlikely to support a frequent dedicated service by a ship of the size presently eligible for the Ships Capital Grant.
- The successful operation of a smaller scale shipping service to Norfolk Island would be likely to attract interest from other islands in the South Pacific and could have important spin-off benefits for the Australian shipbuilding industry and for Australian shipping.

RECOMMENDATION 24

5.244 The Committee recommends that the Commonwealth make available a grant equivalent to the Ships Capital Grant for the purchase of an Australian built vessel, smaller than would otherwise qualify for the Ships Capital Grant, on condition that any proposed vessel would be used principally on the Norfolk Island trade for at least the first two years following commissioning.

Air Services

Existing air services

5.245 Ansett Australia (Ansett) operates eight scheduled flights per week from Sydney or Brisbane to Norfolk Island, generally using F28 jets carrying up to 57 passengers and up to 500 kg freight. The standard economy return airfare from Sydney to Norfolk Island in 1993–94 was \$840, but it was submitted that the most commonly paid fare was the residents and holiday package fare of \$672 return.²⁰⁵ In 1994–95, the standard economy return airfares to Norfolk Island are \$802 ex–Brisbane and \$870 ex–Sydney. The residents and holiday package fares for 1994–95 are \$644 ex–Brisbane and \$699 ex–Sydney, with cheaper fares seasonally available.²⁰⁶ Air New Zealand flies from Auckland twice a week in B737 jets with a passenger capacity of 106 and freight capacity of 1500 kg.²⁰⁷ Most air freight to Norfolk Island is carried on scheduled flights but Ansett operates dedicated freight services from mainland Australia to cope with peak freight demands at Christmas and other holiday periods.

5.246 Norfolk Islanders were mainly concerned about the capacity and cost of the Ansett air service from mainland Australia to Norfolk Island, reflecting the importance of the Ansett link with mainland Australia. The main complaints were as follows.

- *High airfares*

Airfares were claimed to be high compared to fares to other holiday destinations such as the Queensland offshore islands or the Gold Coast, resulting in loss of tourist trade in a highly price sensitive market.

- *Unreliable freight and mail deliveries*

Air freight and mail were sometimes left behind on the mainland because of limited capacity once passenger luggage had been loaded.

- *Inadequate aircraft capacity*

Norfolk Islanders, particularly those in the tourist industry, were unhappy that Ansett continued to fly F28s to Norfolk Island. Norfolk Islanders considered that F28s had insufficient passenger and freight capacity. F28s did not provide a business class service.

5.247 Ansett was invited to address these problems at a public hearing in Canberra.

²⁰⁵ *Submissions* p. 108.

²⁰⁶ *Submissions* p. 1057.

²⁰⁷ *Submissions* pp. 199–200. *Transcripts* p. 824.

5.248 Mr James Kimpton. Manager, Aviation Policy, Ansett, suggested that Norfolk Island's problem was not so much competitiveness of air services but destination competition.²⁰⁸

There is ... a frustration about the level of tourism activity that they [Norfolk Island and the other Territories] have been able to generate. ... tourism destination marketing in our region is now very competitive. When, say, Norfolk Island became a popular tourism destination, perhaps Norfolk Island and Tasmania and Hayman Island in its pre-modernisation form were the main island tourism destinations available to Australians. In more recent years the Whitsundays have been opened up and changes to the government's international aviation policies have meant that there has been greater competition and marketing of other offshore international destinations.²⁰⁹

Ansett contributes around \$80 000 each year to Norfolk Island's own tourism promotion, as well as marketing Ansett holiday packages at a cost of tens of thousands of dollars.²¹⁰

5.249 Ansett indicated that it is operating a commercial service to Norfolk Island and that the Norfolk Island tourist industry and Ansett need to work together to find mutually beneficial solutions for the Norfolk Island service. In particular, Ansett made the following points about the Norfolk Island route.

- The F28 allowed Ansett to maintain a daily operation out of Sydney or Brisbane with a satisfactory load factor to contain fares. The F28s can stop in the fleet until the year 2000, when they would have to comply with noise rules.²¹¹ Mr Kimpton observed,

... it is technically and operationally possible to put a larger aircraft on (the Norfolk Island route), but unless you get a proportionately greater volume of traffic using the larger aircraft, you will fly with a lower load factor, which in turn drives the unit cost up, which either has a negative impact or an adverse impact on fares or the viability of the service. It is against that background that we have made the judgement that it is better to operate the frequency that we are operating with the F28 aircraft rather than move to a lower frequency with say a 737.²¹²

²⁰⁸ *Transcripts* p. 218.

²⁰⁹ *Transcripts* pp. 198–99.

²¹⁰ *Transcripts* p. 216.

²¹¹ *Transcripts* p. 227.

²¹² *Transcripts* p. 204.

- It was rare for the aircraft to be full to, or from, Norfolk Island. Most people who are going to Norfolk Island were going for leisure purposes and could adjust their itineraries by a day or two either way.²¹³ When there was higher seasonal demand, Ansett put on extra flights.
- Ansett recognised that there could have been a problem in the past with travel agents making block bookings of airline seats then cancelling at the last moment, resulting in empty seats. However, Ansett had taken steps to stop the practice.²¹⁴ On occasions, seats could be empty on flights to Norfolk Island because the flight's payload was restricted due to the need to carry extra fuel to fly through headwinds.
- There was a question as to whether any extra capacity which might be allocated to Norfolk Island traffic would be taken up, given the limited supply of rooms on Norfolk Island and the Norfolk Island Government's limit of an average of 820 visitors on Norfolk Island on each day in the peak tourist season.²¹⁵ There were only 1256 tourist beds on Norfolk Island, but these would never be fully occupied because there are up to five beds in one room. Ansett considered limited accommodation a 'critical' limiting factor.²¹⁶
- Ansett could run much larger aircraft (B767s) to the Whitsundays because the stock of rooms on the Whitsunday Islands was much larger than on Norfolk Island.²¹⁷
- Accommodation prices on Norfolk Island were higher than at some competing tourist destinations.²¹⁸
- There was no regulatory impediment to any other airline entering the market but other airlines would have to think about the economics of the route – it was a long, thin route and a low yield route.²¹⁹

²¹³ *Transcripts* p. 216.

²¹⁴ Ansett advised that for the financial year to 29 January 1994, 111 flights to Norfolk Island had been fully booked; of these, 68 left with empty seats, but all the empty seats had been sold and ticketed, and were 'no shows'. *Submissions* pp. 659–60.

²¹⁵ *Transcripts* p. 217.

²¹⁶ *Submissions* p. 106.

²¹⁷ *Transcripts* p. 227.

²¹⁸ *Submissions* p. 106.

²¹⁹ *Transcripts* p. 216.

- There was not any high yield traffic on the Norfolk Island route (that is, first/business class), nor was there much demand for full economy fares since most passengers could satisfy the conditions for the residents/holiday package fare. This inhibited Ansett's ability to cross subsidise deep discounting on the route.

5.250 The Hon Michael King MLA, Minister for Tourism and Works in the Norfolk Island Government, recognised that the Norfolk Island market is small, geographically remote and that these factors are 'inherent commercial disincentives' for airlines and shipping lines.

We deal in ... the transportation of only some 30 000 visitors by air (per year). Because we are off the trunk routes or revenue routes, airlines do not exactly line up to operate into Norfolk Island.²²⁰

5.251 The Commonwealth Department of Tourism defended the level of fares from the mainland to Norfolk Island. On Ansett's 1993–94 fare of \$672, the Department said:

Compared to fares in mainland Australia generally and broken down on a per kilometre basis ... that economy fare compares very favourably to other Australian fares. For example, Sydney – Norfolk works out at 20c per kilometre flown. If you compare it to a Sydney–Townsville fare, that works out at 26c. So a Sydney–Townsville fare on an economy class airfare is some 30 per cent more expensive than a Sydney – Norfolk Island fare.

Similarly, another example, if you take Sydney – Great Keppel Island ... the ... fare is 34 cents per kilometre flown, which is 68 per cent more expensive than the Norfolk Island fare. So on the basis of economy fares, Norfolk Island is one of the cheapest fares available in the mainland Australian domestic network...

Everybody generally complains about the prices. But on the basis of the air fare comparisons and the cost per kilometre on economy air fare, it is a very competitive fare.²²¹

5.252 This did not, however, take into account the fact that Ansett and other mainland airlines offer special promotional discounts or packages to Queensland destinations and other tourist locations, perhaps not extended to visitors to Norfolk Island to the same extent.

²²⁰ *Transcripts* p. 856.

²²¹ *Transcripts* pp. 62 & 76.

Air freight

5.253 The major complaint about air freight was directed at the Ansett service from mainland Australia and related to the limited capacity of the F28 aircraft and the resultant occasional offloading of freight, including mail.

5.254 Ansett submitted that air freight was mainly offloaded in the holiday periods, rarely during normal operational scheduling periods. Over the Christmas holidays, Ansett normally scheduled special air freighters to clear the backlog.²²² However, such backlogs were not cleared until there was enough freight to justify a special freighter and this was said to result in unacceptable delays of six weeks or more, to the point where airmail arrived later than if it had been sent by sea mail.

5.255 There was evidence of unmet demand for air freight which is hidden because potential clients know that capacity is so limited it is not worth consigning goods to flights. For example, Norfolk Island Supermarkets did not source supplies from mainland Australia air freight because the capacity was not available and because the freight rates were more expensive than from New Zealand. However, it did fly product from New Zealand.²²³ The charges for carriage of freight by air are shown in table 5.4.

Table 5.4 Air freight rates to Norfolk Island

<i>Carrier and departure point</i>	<i>Standard freight rate per kilogram</i>
Ansett ex-Sydney	\$AUD 2.50
Ansett ex-Brisbane	\$AUD 3.20
Air New Zealand ex-Auckland	\$NZ 2.15

Note Each parcel of freight must be accompanied by an airway bill which is worth \$20 ex-Sydney, \$15 ex-Brisbane and \$NZ 15 ex-Auckland.

Source *Submissions* p. 397. *Transcripts* p. 770.

²²² *Transcripts* p. 230.

²²³ *Transcripts* p. 769.

5.256 Mr Richard Hamilton-Irvine, a Norfolk Island businessman, told the Committee he had chartered Argosy freight aircraft from Air New Zealand in the mid-1970s to mid-1980s. However, this was no longer possible. The aircraft were no longer in service and it was doubtful that the operation would be economic anyhow given the contraction of the population on Norfolk Island.

5.257 The Committee believes that air freight capacity to Norfolk Island will continue to be determined by the aircraft flown for passenger traffic. Ways of expanding passenger services to Norfolk Island are discussed below.

Competition in air services

5.258 The Sydney – Norfolk Island and Brisbane – Norfolk Island routes are classified as domestic routes and thus domestic passengers (as opposed to international passengers en route to Fiji for example) can be flown only by carriers with access to Australia's domestic routes.

5.259 The Norfolk Island Government Tourist Bureau informed the Committee that Qantas management had indicated that Qantas declines to fly to Norfolk Island for purely commercial reasons.²²⁴

5.260 Norfolk Pacific Airlines, a Norfolk Island enterprise, submitted to the Committee its business plan for a new air service to Norfolk Island using leased BAe 146-100 aircraft to fly between Norfolk Island, Brisbane and Sydney.²²⁵ Norfolk Pacific Airlines was of the view that the Norfolk Island – mainland Australia – Norfolk Island route was a niche market. The route was characterised by relatively low passenger volumes, pressure to keep airfares low and operational factors relating to remoteness, including difficulties with staffing shifts and maintenance. These factors made the route more suitable for a niche operator than a large carrier, 'whose primary focus is on high volume domestic routes and expanding into international markets'.²²⁶

5.261 The Department of Transport advised the Committee at a public hearing in February 1994 that, in the proposed single aviation market between Australia and New Zealand, Air New Zealand would have the right to carry mainland Australian domestic passengers on domestic routes (including Norfolk Island) from November 1994. This would have meant that Air New Zealand could have extended its Auckland – Norfolk Island flight into Sydney or flown a shuttle service between Sydney and Norfolk Island.²²⁷

²²⁴ *Submissions* p. 541.

²²⁵ *Submissions* pp. 544–46.

²²⁶ *Submissions* p. 546.

²²⁷ *Transcripts* p. 141.

5.262 Air New Zealand was unable to tell the Committee what flights, if any, Air New Zealand might put on between the Australian mainland and Norfolk Island in the single aviation market. Air New Zealand noted that, even with a right to enter the Australian mainland domestic market in theory, limited terminal access on the Australian mainland, other than at Brisbane airport, could impede Air New Zealand from offering flights to Australian domestic passengers.²²⁸

5.263 The last stage of the single aviation market policy was not introduced in November 1994.

5.264 Air New Zealand explained in evidence that future growth in tourism to Norfolk Island will be a function of destination awareness and competitive pricing.²²⁹ Air New Zealand affirmed its willingness to put on capacity to meet demand for flights to Norfolk Island and pointed out that Air New Zealand actively promoted Norfolk Island tourism to its international and domestic passengers.²³⁰

5.265 The Chamber of Commerce was dubious about Air New Zealand flying to Norfolk Island en route to, or from, mainland Australia. Indeed, from the point of view of tourism, some Norfolk Islanders did not embrace the idea of Norfolk Island simply being a stopover on the trans-Tasman route.

Air New Zealand has consistently stated that it will always treat Norfolk Island as an end destination. A lot of people would support that because there are a lot of pluses in it. You know that when 100 people get on the plane in New Zealand that 100 people are going to get off here. The problem with becoming a through destination is that you might just become a taxi rank and a transit point where people change planes here to go somewhere else for their holiday. That is another aspect to look at.²³¹

5.266 Several policy options have been proposed to increase the level of competition on the Norfolk Island route.

²²⁸ *Transcripts* pp. 815–18. On 27 September 1994 Air New Zealand advised that it had not changed its flight schedule to Norfolk Island for the schedule filed for the period to 31 March 1995. However, Air New Zealand was engaged in a 'vigorous scrutiny' of the airlines opportunities in the Australian domestic market and the Managing Director had determined that Air New Zealand would have some form of presence in Australia. It was noted that terminal access at Sydney and Melbourne and other major terminals (excluding Brisbane) was still an issue for Air New Zealand. Exhibit No. 74.

²²⁹ *Transcripts* p. 810.

²³⁰ *Transcripts* pp. 810–11.

²³¹ *Transcripts* p. 760.

- *Deregulation of route*

The Department of Tourism suggested that Australia could offer foreign carriers 'free' landing rights for Norfolk Island. International aviation entitlements are exchanged between governments under bilateral air service agreements and foreign carriers have limited rights to land in Australia. Obviously, a carrier is unlikely to swap a Sydney landing entitlement to land on Norfolk, but may be prepared to land on Norfolk en route to the South Pacific if landing rights were 'free'.²³²

There are international airlines with unused aviation entitlements under Australia's air service agreements which could fly to Norfolk Island tomorrow but choose not to do so for commercial reasons.²³³ However, some South Pacific airlines are utilising their travel entitlements to mainland Australia and may wish to have additional landing rights for Norfolk Island.

The Department of Transport advised that requests by foreign airlines to serve Island territories could expect to receive favourable treatment by Australia.²³⁴

- *Route subsidy*

The purpose of the route subsidy would be to make tourist airfares cheaper and divert tourist traffic from other destinations.

- *Market driven approach*

The Department of Tourism has suggested that Qantas could be encouraged to use Norfolk Island as a stopover to other South Pacific routes if the demand for seats was high enough to make the route attractive. Qantas has unused traffic entitlements to the South Pacific.²³⁵

- *Airport upgrading*

The airstrip and terminal facilities can handle only a limited number of B737 (or similar) flights without significant damage to the strip. Some of the changes to air services desired could require airport upgrading.

²³² *Submissions* p. 189.

²³³ *Transcripts* p. 65.

²³⁴ *Submissions* p. 207.

²³⁵ *Transcripts* p. 67.

5.267 There appears to be a serious concern on Norfolk Island that the reliable Ansett service could be jeopardised if some of these options were implemented. Certainly, the Committee considers there is a need to recognise that a commercial service will only be provided while it is returning reasonable profits for the operator. There must be some doubt as to whether the Norfolk Island tourist industry is of a sufficiently large scale to support regular competing air services.

Norfolk Island charges

5.268 Contributing to the cost of flying to Norfolk Island are taxes imposed by the Norfolk Island Government. Departure tax was \$25 per person at the time of the Inquiry and a passenger levy of \$36.60 for passengers flying in and out of Norfolk Island is generally included in the airfare.²³⁶

5.269 The Department of Tourism was critical of the imposition by the Norfolk Island Government of the passenger landing fee of \$36.60 return, which is loaded into the airfare. This compares unfavourably to landing charges at mainland airports of \$3 to \$4 per passenger for most city airports, \$20 per passenger for Cairns and \$7 per passenger for Flinders Island.²³⁷

5.270 Air New Zealand was also critical of the passenger landing fees, observing that the cumulative value of these charges could amount to \$NZ4800 for a fully loaded B737, compared with the average B737 landing cost in New Zealand of \$NZ580.²³⁸

5.271 The Committee raised this matter with the Norfolk Island Government. The Norfolk Island Government said that the airlines could draw some consolation from the fact that the passenger landing surcharge would not be increasing for ten years – it was not indexed to the inflation rate. Revenue from the \$36.60 fee collections is to fund maintenance and redevelopment of the airport, including the planned resealing of the airstrip in ten years time, also airport operating costs.²³⁹

5.272 The Department of Tourism also noted that Australian passengers travelling to tourist destinations such as the Whitsunday Islands would not have to pay Norfolk Island's \$25 departure tax, which contributed to Norfolk Island being, albeit to a minor degree, a less competitive holiday destination.²⁴⁰

²³⁶ *Transcripts* p. 64.

²³⁷ *Transcripts* pp. 63 & 74.

²³⁸ *Transcripts* p. 813.

²³⁹ *Transcripts* pp. 871–72 & 877. *Submissions* pp. 994–95.

²⁴⁰ *Transcripts* pp. 62–65.

5.273 Another factor affecting tourism to Norfolk Island is that Norfolk Island has its own customs, quarantine and immigration laws. It was suggested to the Committee that Norfolk Island's separate customs, quarantine and immigration regimes could be impeding tourism to Norfolk Island and certainly made travel to Norfolk Island much more bothersome for Australian tourists than boarding a plane to other mainland Australian tourist destinations such as the Whitsunday Islands.

5.274 For a start, tourists to Norfolk Island must obtain travel documentation. Documents of identity were once issued by the Department of Foreign Affairs and Trade at nominal cost but are now provided gratis to mainland Australian travellers to Norfolk Island. In each of the financial years 1992–93 and 1993–94, the administrative cost to the Australian taxpayer of issuing around 2000 free travel documents to Norfolk Island was approximately \$76 000.²⁴¹ Although the documents of identity are nominally free, intending mainland Australian travellers to Norfolk Island incur personal costs, delays and inconvenience to obtain this documentation. Although the Committee is not aware of any plans to recoup these costs from travellers, the issue of free documents of identity to travellers runs counter to the general move towards cost recovery for public services and represents a Commonwealth subsidy to Norfolk Island tourism. It is not inconceivable that this assistance could need to be reviewed in the future.

5.275 DEST, in evidence to the Inquiry could not see a way around this problem if Norfolk Island remained outside the Australian migration regime:

It would be better if people did not have to get their own [travel] documentation but, given the unusual situation of the Norfolk Island government in relation to its self-governing status and having responsibility for customs and immigration, it is very difficult to envisage how it could be done away with. In a sense, the documentation is more for returning to mainland Australia than it is for getting into Norfolk.²⁴²

5.276 The Department of Immigration and Ethnic Affairs pointed out that Norfolk Island is not considered part of Australia for the purposes of the *Migration Act 1958*. Thus leaving mainland Australia for Norfolk Island is a departure from Australia and re-entering mainland Australia from Norfolk Island is entry into Australia. Persons can arrive in Norfolk Island from New Zealand, Vanuatu, New Caledonia and other places. If there were no checks on arrivals from Norfolk Island, persons without Australian residency could arrive and stay in mainland Australia without there being any record of their entry nor any check of their identity.²⁴³

²⁴¹ *Submissions* p. 197.

²⁴² *Transcripts* p. 44.

²⁴³ *Transcripts* pp. 259–62.

5.277 Similarly, Norfolk Island is not covered by Australia's quarantine legislation. Thus there needs to be a quarantine barrier for goods arriving from Norfolk Island into mainland Australia, because of the possibility of material from other countries being transhipped into mainland Australia via Norfolk Island without being inspected for pests and disease.²⁴⁴

5.278 DEST observed that, 'the Migration Act could be extended to [Norfolk Island] in due course'.²⁴⁵ DEST explained:

... it is not true to say that they [the Norfolk Island government] have absolute power over immigration because all their powers in all regards are conferred under the Norfolk Island Act, which is an act of the Commonwealth parliament and is obviously always subject to amendment.²⁴⁶

5.279 However, the Norfolk Island Government was adamant that it should maintain its control over customs and immigration, even if Australia and New Zealand move to a common border.²⁴⁷

5.280 The need for passengers from Norfolk Island to clear customs and quarantine, requires that flights to and from Norfolk Island use the international rather than the domestic terminals at Australian mainland airports. Ansett advised that there are additional costs and inconvenience involved in the use of international facilities (compared to Ansett's domestic facilities) which must also be loaded on the airfare to Norfolk Island.²⁴⁸

Airport facilities

5.281 In 1991, at the time of the handover of the airport to the Norfolk Island Government, the Commonwealth allocated \$2.5 million for the upgrading of the main runway.²⁴⁹ DEST now considers the Norfolk Island Government to have responsibility for this facility.

²⁴⁴ *Transcripts* pp. 93–95.

²⁴⁵ *Transcripts* p. 290.

²⁴⁶ *Transcripts* pp. 290–91.

²⁴⁷ *Transcripts* p. 874.

²⁴⁸ *Submissions* p. 662.

²⁴⁹ *Submissions* p. 325.

5.282 In submissions to this Inquiry, the Norfolk Island Government has informed the Committee that a new terminal was planned for construction during 1994–95 at an estimated cost of \$1.2 million, and that runway reconstruction has been programmed for 2003–04.²⁵⁰

5.283 The Norfolk Island airstrip is rated to carry medium jets. When the airport runway was upgraded in 1991, the construction consultants advised that the airstrip could handle unlimited movements of F28 aircraft flown by Ansett and could handle up to 12 weekly movements (takeoffs and landings) of the B737-200 aircraft flown by Air New Zealand. However, any approach for a regular service of larger aircraft (with maximum take off weight over 52 000 kilograms) would require a new pavement assessment. The B737-300 series has a maximum take off weight of 56 000 kilograms.²⁵¹

5.284 It is not planned to upgrade the capacity of the airstrip to take heavier aircraft. The Hon Michael King MLA, Minister for Tourism and Works in the Norfolk Island Government, observed that 'upgrading the airport beyond its present capacity would, in our view, be inviting not so much mass tourism growth but growth beyond our desires and capabilities.'²⁵²

5.285 The Committee considers that the Commonwealth has made an adequate contribution to the upgrading of the airport facilities at Norfolk Island and that there is no demonstrated need for the airstrip to be expanded and strengthened for larger aircraft at this time.

Conclusions

5.286 The air services to Norfolk Island are provided on a commercial basis. The frequency and capacity of air services to Norfolk Island are a function of tourist numbers and the size of the Norfolk Island population. Improvement of the service will flow largely from the development of tourism to Norfolk Island.

5.287 Norfolk Island cannot have the air services provided to large and rapidly growing mainland tourist destinations while continuing to restrict population growth and tourist numbers. DEST broached this subject in evidence:

I think it is also fair to say that the people of Norfolk Island are caught between the rock and the hard place of wanting to maintain that which they have and the level to which they are prepared to exploit it because it might change the nature of their island.²⁵³

²⁵⁰ *Submissions* pp. 994–95.

²⁵¹ *Submissions* p. 1025.

²⁵² *Transcripts* p. 859.

²⁵³ *Transcripts* p. 51.

5.288 The Hon Michael King MLA, Minister for Tourism and Works in the Norfolk Island Government, considered that passenger air capacity was adequate. Norfolk Island did not want unlimited growth in tourism.²⁵⁴

5.289 The Committee was informed that the Norfolk Island Government has adopted immigration policies designed to restrict population growth to 2% per annum to December 1995,²⁵⁵ and that the Norfolk Island Government also limits the number of visitors allowed on Norfolk Island at any one time. The Committee was informed that the limit is an average of 820 visitors each day during the peak tourism months. In fact, this is the *de facto* limit since the stock of rooms on Norfolk Island would not support much greater numbers.²⁵⁶ The Norfolk Island Government has approved a new 100 bed international standard hotel, but this expansion can only be described as marginal and there are limits on the construction of further new accommodation on Norfolk Island. All these limits affect the ability of Norfolk Island to achieve increased tourist numbers, better air services, increased volumes of freight and better sea freight services.

5.290 The Norfolk Island Government Tourist Bureau pointed out that Norfolk Island did not want 'huge volumes' of tourists, but wanted high yield tourists.²⁵⁷ It is difficult to see how this policy will generate the expansion in air traffic which is so crucial to the desired expansion in aircraft capacity.

5.291 The Committee considers that numerical limits on visitors to Norfolk Island inhibit the growth in tourism which might make improved air and sea services viable. There is no magic solution whereby Norfolk Island can have the air services provided on mainland or international routes while maintaining tight restrictions on resident and tourist numbers. Nonetheless, the Committee recognises that it is for the Norfolk Island Government to determine tourism policy. The Committee respects the choice that has been made to preserve Norfolk Island's heritage and environment at some expense to the Island's commercial development.

Australia Post parcel post

5.292 In October 1994, Australia Post announced proposed increases in parcel post rates to Norfolk Island as part of its Australia-wide review of parcel post rates.

5.293 However, the entire package of proposed variations to parcel post rates around Australia was deferred because of the impact of the drought. The increased rates for parcels sent to Norfolk Island are likely to come into effect in 1995.

²⁵⁴ *Transcripts* pp. 858–59.

²⁵⁵ *Submissions* p. 738.

²⁵⁶ *Submissions* p. 195.

²⁵⁷ *Transcripts* p. 855.

5.294 A comparison of present and indicative proposed parcel post rates to Norfolk Island is set out in table 5.5 below. The existing rates are based on Norfolk Island's inclusion in the 'N3' category for parcel post. This N3 category encompasses NSW towns such as Lismore on the north coast of NSW, Tamworth on the northern tablelands, and Dubbo in western NSW. The proposed new rates for Norfolk Island are based on breaking the nexus between Norfolk Island and other NSW towns. Norfolk Island would have its own category – 'NF'. Australia Post observed that some Norfolk Islanders had exploited the Island's N3 status by, for example, posting parcels from other N3 towns on the mainland – such as Lismore, NSW for the intra-zonal rate of thirty cents per kilogram.²⁵⁸

5.295 Australia Post despatches around 50 000 kilograms of air parcels to Norfolk Island each year and an even greater volume of surface mail.²⁵⁹ The average sea mail is 550 to 600 bags and the October 1994 ship ex-Sydney delivered 6147 kilograms of surface mail.²⁶⁰

5.296 The majority of parcels sent by surface mail are at the higher end of the weight scale.²⁶¹ The vast bulk of parcels sent by air mail weigh from one to ten kilograms.²⁶² The Committee took evidence that items such as car tyres had been sent parcel post.²⁶³

Table 5.5 Parcel post rates to Norfolk Island ex-Sydney

<i>Size</i>	<i>Existing (N3) (\$)</i>	<i>Proposed (NF) (\$)</i>
Airmail 250 - 500g	3.70	4.00
Airmail 500g - 1kg	11.50	19.80
Airmail 9 - 10kg	25.00	108.00
Surface 250 - 500g	2.80	3.00
Surface 500g - 1 kg	4.60/4.70	7.40
Surface 9 - 10kg	7.30/7.40	28.00

Source Submissions p. 1062

²⁵⁸ *Transcripts* p. 1044.

²⁵⁹ *Submissions* p. 1063.

²⁶⁰ *Submissions* pp. 1069–70.

²⁶¹ *Submissions* p. 1069.

²⁶² *Submissions* p. 1068.

²⁶³ *Transcripts* p. 1044.

5.297 The Norfolk Island Government was particularly concerned that the cost of sending larger parcels (nine to ten kilograms) to Norfolk Island would increase fourfold once the proposed increases came into effect.²⁶⁴

5.298 Australia Post pointed out that Norfolk Island was subsidised under the existing N3 rate regime.²⁶⁵ The Norfolk Island Government did not dispute there had been abuses of the N3 regime.²⁶⁶ It presently costs \$40 to send a twenty kilogram parcel from Sydney to Norfolk Island, compared to Australia Post's air conveyance costs alone of \$120.²⁶⁷ The Norfolk Island Government maintained that it did not expect Australia Post to subsidise the parcel service to Norfolk Island.²⁶⁸

5.299 Australia Post gave evidence at a public hearing on 21 November 1994. Australia Post observed that Norfolk Island was excluded from the operation of the *Australian Postal Corporation Act 1989*. Australia Post delivers standard letters to Norfolk Island at the uniform rate (presently 45 cents), also large letters and small parcels at uniform rates, but it has no legal obligation to do so.

5.300 Norfolk Island has its own postal service. The relationship between Australia Post and the Norfolk Island Postal Service was set out in a Memorandum of Understanding signed in 1994. A key provision of the Memorandum of Understanding – the imbalance provision – compensates the Norfolk Island Postal Service for the fact that the volume of mail delivered to Norfolk Island from the Australian mainland is far greater than the volume of mail despatched from Norfolk Island to mainland Australian destinations.²⁶⁹ The postal imbalance payment made by Australia Post to the Norfolk Island Post Office is \$1 per kilogram for the differential between mail despatched from Norfolk Island and mail despatched from mainland Australia.

5.301 Australia Post admitted that the \$1 per kilogram postal imbalance charge had been taken into account in setting the increased rates.²⁷⁰ The Norfolk Island Government was concerned that Australia Post was levying a charge of \$1 per kilogram

²⁶⁴ *Submissions* p. 1062.

²⁶⁵ *Transcripts* p. 1031.

²⁶⁶ *Submissions* pp. 1063 & 1074.

²⁶⁷ *Transcripts* p. 1031. The Norfolk Island Government was critical that Australia Post had not been able to negotiate a better rate than \$6 per kilogram with Ansett or another air carrier. *Submissions* pp. 1063 & 1075.

²⁶⁸ *Transcripts* p. 1025. *Submissions* p. 1063.

²⁶⁹ The Norfolk Island Post Office earns revenue only from mail sent off the Island but must absorb the costs of distributing all mail sent to the Island. It was conceded that the costs of distribution on Norfolk Island are smaller than would be the case if a door-to-door delivery service were to be provided since residents collect mail from their respective box numbers at the single Post Office on the Island.

²⁷⁰ *Transcripts* p. 1032.

for each kilogram of parcels sent to the Island rather than merely recouping \$1 per kilogram for the differential of parcels sent to the Island compared to parcels sent to mainland Australia.²⁷¹

5.302 The Norfolk Island Government submitted that the proposed increased parcel post rates bore no relationship to air and sea freight rates incurred by Australia Post for deliveries to Norfolk Island.²⁷²

5.303 Australia Post maintained that the reason for the increases in parcel post rates to Norfolk Island was cost recovery.

5.304 The new air parcel post rates incorporated the following costs:

- basic air mail parcel charge – \$10 per item – to cover fixed costs such as acceptance and processing of parcel at post office, mail centre sorting;
- per kilogram charge – to cover airline haul;
- terminal charge – \$1 per kilogram;
- overheads and profit margin for Australia Post.

5.305 Over 70% of the new air parcel post rates would relate to the air conveyance costs and the terminal charge on Norfolk Island.²⁷³

5.306 Australia Post drew the Committee's attention to the fact that it does not have a monopoly in the dispatch of parcels. The parcel service is a non-reserved service and Australia Post is expected to set prices on a commercial basis.

5.307 The Secretary of the Department of Communications and the Arts wrote to the Norfolk Island Government pointing out that one of the reasons for the proposed increases in parcel post rates was the cost of transporting mail to Norfolk Island. He suggested that the Norfolk Island Government could explore the option of the Norfolk Island Postal Service taking delivery of Norfolk Island parcels on the mainland and arranging for carriage to Norfolk Island independently of Australia Post.²⁷⁴ To the Committee's knowledge, no foreign country arranges for the carriage to its borders of mail lodged in Australia for delivery overseas. To suggest that such a procedure be an option for an Australian external Territory is, in the Committee's view, quite astonishing.

²⁷¹ *Submissions* p. 1075.

²⁷² *Submissions* pp. 1062–63.

²⁷³ *Transcripts* p. 1032.

²⁷⁴ Letter of 4 October 1994 from Mr N. R. Stevens, Secretary of the Department of Communications and the Arts, to Hon G. J. Bennett MLA, Minister for Finance in the Norfolk Island Government. Provided to the Committee by the Norfolk Island Government. *Submissions* p. 1065.

5.308 Although the parcel post service to Norfolk Island is a non-reserved service, the Committee considers that, in practice, Norfolk Island residents will continue to be dependent on the Australia Post service for the delivery of parcels from mainland Australia. Norfolk Island residents could consign parcels by air freight but this would incur consignment fees (presently \$20 per parcel regardless of size) and may not be as convenient as the postal service.²⁷⁵

5.309 In the context of Norfolk Island's reliance on the Australia Post service, the Committee considers that Australia Post should have regard to the likely social impact of the sudden introduction of proposed parcel post rate increases on Norfolk Island residents. The Committee does not believe it is appropriate for Australia Post to impose, in a single adjustment, rate increases of such a proportion as those notified to this Committee by the Norfolk Island Government and set out in figure 5.5.

5.310 If the proposed increases in parcel post rates to Norfolk Island simply reflect a move to full cost recovery for the parcel post service to Norfolk Island then it is unclear to the Committee why Norfolk Island was subsidised to such a degree for so long and why it has been necessary to adjust the situation so suddenly. The Committee considers that Norfolk Island should be treated by Australia Post the same as any other distant Australian community with similar delivery costs.

RECOMMENDATION 25

5.311 The Committee recommends that the Commonwealth, in consultation with the Norfolk Island Government, investigate whether or not the interests of Norfolk Island residents would be better served by including Norfolk Island in the operation of the *Australian Postal Corporation Act 1989*. The Committee further recommends that Australia Post consider holding parcel post rates to Norfolk Island at the present levels pending this investigation and subsequent decision.

5.312 The ABS survey of costs of living on Norfolk Island recommended by this Committee (see Recommendation 21) would, amongst other things, examine the cost of the parcel post service to Norfolk Island, recognising that households on Norfolk Island require a wide range of goods to be sent from mainland Australia. The Committee considers it would be inappropriate for Australia Post to increase rates until the ABS has reported to the Commonwealth.

²⁷⁵ *Submissions* p. 1063.

Chapter 6 Export Clearance Numbers

Background

6.1 The one issue in this Inquiry common to Christmas Island, the Cocos (Keeling) Islands and Norfolk Island was the perceived anomaly whereby supplies shipped from the Australian mainland to Australia's external Territories are treated as exports from Australia and are subject to mandatory export clearance procedures.¹

6.2 Christmas Island, the Cocos (Keeling) Islands and Norfolk Island are not considered part of Australia for the purposes of customs legislation.² At the time of writing, parcels of freight valued at \$500 or more consigned to the Territories needed to be allocated an Export Clearance Number before those parcels legally could be loaded onto a ship or aircraft.

6.3 There are two classes of consignment exempt from the requirement to obtain Export Clearance Numbers. Personal effects are classified as Exemption Category Number 1. Goods worth less than \$500 are classified as Exemption Category 2. The status of these goods must be declared to the freight forwarder at the time of delivery.

Evidence

6.4 The main criticisms of the Export Clearance Number requirement were the cost and the inherent administrative delays.

6.5 Mr Neil Robinson, Shipping Manager, Total Western Shipping, gave evidence explaining the special problems faced by shippers in the Indian Ocean Territories – or their shipping agents – because of the requirement to obtain Export Clearance Numbers for supplies sourced from the Australian mainland.³

- First, the requirement to obtain Export Clearance Numbers is particularly onerous for shippers in the Territories because they take mixed container loads of freight. Whereas an international shipper requires one Export Clearance Number for a full container load of a particular product, shippers on Christmas Island or the

1 There was some confusion in the Inquiry about export requirements. The abbreviation 'ECN' – signifying 'Export Clearance Number' – was also used as shorthand for 'export consignment note'. The export consignment note, similar to freight consignment notes required for delivery on the mainland, is a requirement of the freight carrier. The Export Clearance Number is an Australian Customs Service requirement. It is the latter which is addressed in this chapter.

2 *Transcripts* p. 236.

3 *Transcripts* pp. 294–315.

Cocos (Keeling) Islands could require tens or hundreds of Export Clearance Numbers for a container of different parcels of freight. Mr Robinson gave a graphic account:

With Cocos and Christmas there is so much small freight. The problem with the small freight ... is the actual export authority number requests. It can average 1,000 requests a month on some occasions. We were getting 68 containers going up to Christmas [a month] ... and 60 to 80 containers a month was pretty good. But 60 of those containers were of 200 different items from 200 different suppliers, all coming in on staggered hours ... and all bringing in a consignment note which effectively costed produce of over \$500. Then in turn we had to politely advise the client that we needed to seek an export authority number before it could be shipped.

... For South East Asia there is one consignment note, whereas for Christmas and Cocos you have got 60 to 70 a container.⁴

- Second, shippers in the Territories are simply trying to obtain basic supplies from the mainland. They are not engaged in the export trade and may not be familiar with export clearance procedures. Some suppliers also are not accustomed to supplying the export market and do not realise that orders sent to the Territories require formal export clearance. This causes inconvenience and delays in shipments to the Territories.⁵ Mr Robinson estimated that 10% to 15% of consignments sent to the Indian Ocean Territories would arrive at the store just before the shipping close-off time, without Export Clearance Numbers.⁶
- Third, the Australian Customs Service (Customs) requires that Export Clearance Numbers must be sought within 72 hours of the ship sailing, not earlier. The Western Australia Coastal Shipping Commission, trading as Stateships, which provides a shipping service to the Indian Ocean Territories, requires all containers to be down on the wharf 48 hours before the ship sails, no later. This provides a window of one business day (and Customs closes at 4 pm) to obtain all the hundreds of Export Clearance Numbers required and to consolidate the containers.⁷

4 *Transcripts* pp. 303–04.

5 Mr Robert McKnight, Christmas Island Bus Services and Mr Edward Turner, representing the Christmas Island Chamber of Commerce Inc., observed that the delay associated with obtaining an Export Clearance Number causes urgently needed mechanical parts to miss the next flight, with the result that machines are 'down' for several days and employees are idle. *Transcripts* pp. 622 & 660.

6 *Transcripts* p. 305.

7 The Cocos Island Quarantine Service was particularly concerned that failure to obtain the Export Clearance Number on time could result in a consignment missing the ship which would result in a further delay of up to 2 months in receiving the goods. *Submissions* p. 40.

- Fourth, the requirement to obtain an Export Clearance Number is costly because, in practice, it is necessary to engage a customs agent who will charge \$25 to \$45 per Export Clearance Number.⁸
- Fifth, supplies sent to the Territories are believed to be included in Australia's export statistics. In the case of Christmas Island, the millions of dollars worth of building materials purchased by the Commonwealth Government for the Christmas Island Rebuilding Program would have been shown as export earnings for Australia.⁹

6.6 Mr Robinson could not see any value in Christmas Island and the Cocos (Keeling) Islands being 'strangled by these rules and regulations controlling customs'.¹⁰ However, when these problems have been raised in discussions with Customs' officials, Customs has replied that it is 'rules and regulations'.¹¹

6.7 Similarly, Mr Duncan Evans, shipping agent on Norfolk Island, submitted that shippers on Norfolk Island should be exempt from export clearance requirements, because of the additional cost burden. The cost was \$50 per Export Clearance Number if obtained through the Sydney agent for Sofrana Unilines, the shipping company serving Norfolk Island. Mr Evans also pointed out that businesses on Norfolk Island were sourcing from mainland suppliers who were not geared for export and viewed Norfolk Island as part of the domestic market.¹²

6.8 At a public hearing, officers from Customs explained that formal export clearance of goods to the Territories would be required, nonetheless, for purposes other than customs. For example, export clearance procedures are used to collect trade statistics and to monitor and control movements of wildlife, national treasures, minerals and other special items for other government agencies (including the Australian Nature Conservation Agency, the Australian Bureau of Statistics, the Australian Quarantine and Inspection Service, and the Department of Defence). However, Customs pointed out that a review of its export control scheme was being conducted and that some of the

8 Although there is no legal requirement to use a customs agent, the issue of Export Clearance Numbers is expedited if the application for an Export Clearance Number is lodged electronically – a facility offered by the agents. Customs advised that some 97% of applications for Export Clearance Numbers are lodged electronically. If an application for an Export Clearance Number is lodged electronically, the Export Clearance Number will be issued in a matter of minutes. If the exporter brings the document to Customs House for manual processing, it is processed in accordance with whatever resources are available at the time and Customs gives no undertaking as to how long it might take. *Transcripts* p. 235. Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd, observed that the Export Clearance Numbers could add up to 10% to the cost of the subject goods shipped to Christmas Island. *Submissions* p. 12.

9 *Transcripts* p. 307.

10 *Transcripts* p. 304.

11 *Transcripts* p. 307.

12 *Submissions* p. 268.

agencies relying on export controls had indicated that they were not concerned about exports to Australia's external territories.¹³

6.9 The Committee proposed that a separate exemption category could be introduced for exports to Australia's external Territories. Customs was prepared to entertain this possibility:

In terms of customs requirements, I do not think it would be particularly difficult to arrange an exemption for the territories, but the important decision to make first is whether the policies involved in the restrictions warrant the entries to continue – the policies regarding the export of wildlife, the policies regarding the export of primary products and so on. ... From a customs point of view, there does not appear to be a great deal of need to retain export entries for those territories.¹⁴

6.10 The Committee asked how exemption of the external Territories from customs clearance procedures could be achieved. Customs advised that this would probably be done by amending a regulation which already prescribes exemptions.

6.11 Amongst the residents of Christmas Island, the Cocos (Keeling) Islands and Norfolk Island, there was no opposition and a good deal of support for removing the requirement to obtain Export Clearance Numbers, with the strong stipulation that the duty-free status of the Territories not be altered.

6.12 The question of whether the exemption of the Territories from export clearance procedures could jeopardise their duty-free status was raised with Customs. Customs, addressing in particular the case on the Cocos (Keeling) Islands, advised that it did not believe that the exemption from customs procedures would affect the duty-free status of the Cocos (Keeling) Islands, since the duty-free status flowed from a particular Commonwealth Government decision and undertakings to the local community.¹⁵

13 *Transcripts* p. 240–41.

14 *Transcripts* p. 243.

15 *Transcripts* p. 237.

Conclusion

6.13 The Committee is concerned that the requirement to obtain Export Clearance Numbers for supplies of food, household goods and other requirements sent to the external Territories is onerous, costly and inappropriate.

RECOMMENDATION 26

6.14 The Committee recommends that the requirement for Export Clearance Numbers for supplies sent from mainland Australia to the external Territories be abolished, without any change to their Australian duty-free status.

R L Chynoweth MP
Chairman

DISSENT BY SENATOR JOHN COATES

I wish to record my disagreement with certain of the conclusions and recommendations in this report. They are small in number, but significant.

I express general dissent from the flavour of all those comments (e.g. 5.69, 5.129, 5.242) which claim that the provision of shipping and associated services would be better provided by private enterprise and that it would be inappropriate for the Government to be directly involved in such services.

In respect of all the external territories, it is accepted that their small size and their remoteness make real competition or multiple services highly unlikely. I believe that it is therefore entirely appropriate for the Government to be responsible for and to provide such essential services.

Specific clauses of the Committee's report with which I have difficulty are:

- | | |
|---------------|--|
| 3.109 - 3.112 | These proposals are second best and could turn out to be an unsatisfactory middle course. There should be consideration of a Commonwealth owned and run service dedicated to the two Indian Ocean territories. |
| 3.175 | If there is to be a monopoly, it should be a public monopoly, run on commercial lines. |
| 5.130 | It is entirely appropriate for there to be an agreed minimum rule. Whether that is expressed in dollars, tonnes or hours of work is a matter of detail. |
| 5.211 | If there is to be an exclusive service, it is preferable for it to be government owned and operated or, at the very least, operated on behalf of either the Commonwealth or the Norfolk Island Government. |
| 5.244 | If Commonwealth funds are to be provided, they should be directly for the purchase of a ship by the Government, rather than as a subsidy to a private shipbuilder or operator. |
| 5.311 | In respect of the second part of this recommendation, Australia Post should be supported in placing Norfolk Island in a category of its own, with rates similar to interstate rates of comparable distance. |

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94	Norfolk Sealink. Further submission tabled at the public hearing on 21 November 1994.	1071
95	Government of Norfolk Island. Reply to evidence given by Australia Post at the public hearing on 21 November 1994.	1074
96	Hon Neville Christian MLA. Reply to comments made by Hon Michael King MLA at the public hearing on 21 November 1994.	1077
97	Norfolk Sealink. Reply to statements made by Hon Michael King MLA at the public hearing on 21 November 1994.	1079
98	Australia Post. Reply to questions taken on notice at the public hearing on 21 November 1994.	1082

List of Exhibits

(Listed under name of party providing information to Inquiry)

**Exhibit
No.**

- 1 Western Australia Coastal Shipping Commission (Stateships). *Cocos Island and Christmas Island Liner Service freight tariff* – effective 1 September 1993 to 31 January 1994.
- 2 Becfab Equipment Pty Ltd, manufacturers of marine equipment and special purpose craft. Brochures.
- 3 Christmas Island Administration. Package presented to Committee members on 31 October 1993 by the Administration, including:
 - *Windows of Change*, Administration Report (1992–93);
 - *Christmas Island Strategic Plan 1991–96*,
 - *Christmas Island Newsletter*, 29 October 1993;
 - Christmas Island Orientation Brochure.
- 4 Harbourmaster, Christmas Island. Spreadsheet, shipping movements to Christmas Island - July through October 1993.
- 5 Phosphate Resources NL. Package presented to the Committee on 1 November 1993 including:
 - *Annual Report 1992-93*;
 - Information brochure about the Company's activities.
- 6 Christmas Island Shire Council. Copy of letter from Council to the Department of the Environment, Sport and Territories (DEST), 1 October 1993.
- 7 Australian Nature Conservation Agency. Copies of submissions made to other Government authorities on the need for quarantine facilities on Christmas Island. Presented to the Committee on 2 November 1993.
- 8 Cocos Coffee Shop. Letter, further to discussions with the Committee on 3 November 1993.
- 9 List of prices as at 20 October 1993 of selected items in the Cocos Co-operative Shop on West Island, prepared by CAA staff.

**Exhibit
No.**

- 10 Cocos Islands Co-operative Society Ltd. Documents requested by the Committee:
- Cocos Islands Employees Award;
 - Financial Statements YE 30 June 1993;
 - Costings on unloading *Roberta Jull* - Voyages 28 and 31;
 - Contents of freezer container - Voyage 46, August 1993.
- 11 Asset Services, Cocos (Keeling) Islands. Video showing stevedoring from Stateships' vessel and container delivery operations to West Island, provided to the Committee on 4 November 1993.
- 12 Department of Social Security (DSS). Statistics on social security benefits paid to residents of the Cocos (Keeling) Islands, provided by the representative of DSS on Home Island, 5 November 1993.
- 13 Australian Construction Services. Reports:
- *Cocos (Keeling) Islands - Observations and recommendations consequent on site visit of May 1993 inspecting Home Island jetty, West Island jetty, Home Island slipway, Home Island crane, navigation markers, Direction Island jetty; and*
 - *Cocos (Keeling) Islands infrastructure upgrade – maritime works and freight management (July 1992).*
- 14 Department of Environment, Sport and Territories (DEST). Bundle of documents providing information requested by the Committee as follows:
- A Christmas Island Shire Council – functions;
 - B Composition of the workforce on Christmas Island;
 - C Data on unemployed on Christmas Island;
 - D 1991-92 *Annual Report* of Phosphate Resources NL;
 - E School enrolments on Christmas Island – actual and projected;
 - F 1991 Population and Housing Census Data for Christmas and the Cocos (Keeling) Islands;
 - G DEST policy on housing on Christmas Island;
 - H DEST policy on property sales on Christmas Island;
 - I Heritage value of the Marine Building roofline, Christmas Island;
 - J Current electricity rates on Christmas Island;
 - K Cocos Island Co-operative Society Limited, 1991–92 Financial Statements;
 - L Information on the financial relationship between the Commonwealth and the Norfolk Island Government;
 - M Tender documentation for waste minimisation strategies for external territories.

**Exhibit
No.**

- 15 DEST. *Cocos (Keeling) Islands, Land use plan and planning scheme* (June 1992).
- 16 Commonwealth Grants Commission. *Third Report on Cocos (Keeling) Islands Inquiry 1993* (AGPS, 1993) together with *Supplementary Report*.
- 17 Australian Quarantine and Inspection Service (AQIS). *Quarantine Arrangements on Christmas Island* (August 1993). Report of an inquiry by AQIS for DEST.
- 18 DEST. *Memorandum of Understanding relating to the achievement of mainland equivalent standards and levels of services on the Cocos (Keeling) Islands* (7 March 1991). Tendered at the public hearing on 13 December 1993.
- 19 DEST. *Proposed Package of Changes extending to the residents of Christmas Island rights, opportunities and obligations equivalent to those of their fellow Australians in comparable communities*. Tendered at the public hearing on 13 December 1993.
- 20 DEST. Background information on the law reform process for the Indian Ocean Territories.
- 21 Administrator, Norfolk Island. Brief on the relationship between the Norfolk Island Legislative Assembly and the Administrator. Portfolios of executive members of the Norfolk Island Legislative Assembly. Presented to the Committee on 27 January 1994.
- 22 Norfolk Island Administration, *Annual Report 1991-92*.
- 23 Argosy Norfolk Pty Ltd/Norfolk Sofrana. Copy of address given to the Committee on 28 January 1994 by Mr Duncan Evans. Folder of information on Sofrana Unilines.
- 24 Becfab Equipment Pty Ltd. Folder of information on the company and its products, including a copy of overhead transparencies used during Becfab's presentation at the public hearing on 11 February 1994.
- 25 DSS. Brochures relating to Remote Area Allowance. Tabled at the public hearing on 4 March 1994.
- 26 DEST. Request for tender for barges for Christmas Island. Tabled at the public hearing on 4 March 1994.

**Exhibit
No.**

- 27 CMV Truck Sales and Service Pty Ltd. Information requested by the Committee on the SWINGLIFT semi-trailer.
- 28 Australian Taxation Office. Information requested on taxation revenue received by the Commonwealth from Norfolk Island.
- 29 DSS. Reply to questions on notice at public hearing on 4 March 1994.
- 30 Government of Norfolk Island. *Report of the Headstone Investigation Committee* (1982).
- 31 Total Western Shipping. Breakdown of Total Western Shipping charges for containers shipped to the Cocos (Keeling) Islands, with supporting documentation. Tabled at public hearing on 26 April 1994.
- 32 M J Hudson-Ansell, Acting General Manager, Stateships. Speaking notes for the public hearing on 26 April 1994.
- 33 Islands Liaison Office, DEST. Transcript of Shipping Forum in Perth on 20 May 1992. Tabled at the public hearing on 26 April 1994.
- 34 Australian Liquor, Hospitality and Miscellaneous Workers Union, Miscellaneous Workers Division, W A Branch. Cocos Islands Employees Award. Tabled at the public hearing on 26 April 1994.
- 35 Cocos (Keeling) Islands Shire Council. Unisearch draft report on the Cocos (Keeling) Islands Development Strategy. Tabled at the public hearing on 28 April 1994.
- 36 Cocos (Keeling) Islands Shire Council. List of Council priorities. Provided following discussions at the public hearing on 28 April 1994.
- 37 Cocos (Keeling) Islands Shire Council. Bundle of documents regarding air freight to the Cocos Islands. Provided as discussed at the public hearing on 28 April 1994.
- 38 Cocos Islands Co-operative Society Ltd. Bundle of documents relating to shipping services to the Cocos Islands. Tabled at the public hearing on 28 April 1994.
- 39 Cocos Islands Co-operative Society Ltd. Copy of proposal for a shipping service to Christmas and the Cocos (Keeling) Islands, sent by John Clunies-Ross to the Co-operative in September 1992. Provided as offered at the public hearing on 28 April 1994.

**Exhibit
No.**

- 40 Cocos Islands Co-operative Society Ltd. Register of shares. Provided pursuant to a request made by the Committee at the public hearing on 28 April 1994.
- 41 Australian Nature Conservation Agency, the Cocos (Keeling) Islands. Water flow charts for the Cocos (Keeling) Islands. Copy of article "Beaches, a Soft Option in Causeway Construction" by Fiona Kotjovs. Tabled at the public hearing on 29 April 1994.
- 42 DEST. Copies of correspondence between Hon Janice Crosio MP, Member for Prospect, and Hon Warren Snowden MP, relating to the need for Australian citizens to obtain travel documentation to travel to Norfolk Island.
- 43 Sofrana Unilines Australia Pty Ltd. Copy of letter to Norfolk Island Administration. Tendered by Mr Duncan Evans at the public hearing on 20 May 1994.
- 44 Cook Islands National Shipping Line. Expression of interest in providing a sea freight service to Norfolk Island. Tendered at the public hearing on 20 May 1994.
- 45 Department of Transport. Issues Paper on the Possible Implementation of the Hamburg Rules. Provided pursuant to a request at the public hearing on 11 February 1994.
- 46 Administration of Norfolk Island. Blain Johnson – PPK Consultants, *Report on a Preliminary Investigation for the Provision of Harbour Facilities for Norfolk Island* (February 1993).
- 47 Hunter International Pty Ltd. Material tendered on 3 June 1994, including video tape and copies of overhead slides used at the public hearing. Copy of a letter from Textron Marine Systems provided immediately following the hearing.
- 48 DEST. Sketch map of Christmas Island wharf, tabled at the public hearing on 3 June 1994.
- 49 DEST. Extract from *Local Government Act 1960* (WA), outlining provisions which apply to elections on Christmas Island.
- 50 DEST. Deloitte Ross Tohmatsu *Commercialisation Scoping Report – Final Report* (September 1992).

**Exhibit
No.**

- 51 Government of Norfolk Island. Copy of technical information regarding a sea freight service to Norfolk Island presented to that Government by ASDMAR Pty Ltd.
- 52 Company profile of ASDMAR Pty Ltd. Presented to the Committee at a private meeting on 8 June 1994.
- 53 ASDMAR Pty Ltd. *Stern Landing Vessels – a preliminary assessment.*
- 54 Government of Norfolk Island. Copies of determination of terms and conditions of employment of lighterage workers and specification of charges for lighterage, made under the *Lighterage Ordinance 1961*. Provided on 20 May 1994, pursuant to a question at the public hearing.
- 55 Copy of letter of 3 June 1994 sent by the Sub-committee on Shipping and Lighterage, Norfolk Island Chamber of Commerce Inc., to ASDMAR Pty Ltd.
- 56 Copy of correspondence between ASDMAR Pty Ltd and John Clunies-Ross relating to stern landing vessels, June 1994.
- 57 DEST. Mark Newton, *A Report on Western Australia Coastal Shipping Commission, trading as Stateships – Official Report to the Minister for Transport* (May 1994).
- 58 DEST. Copy of advice from Embassy of Australia in Washington DC on the program of disposal for US Army LACV-30 craft, including brief comments on their suitability for freight handling in Australia's external Territories.
- 59 DEST. Background briefing prepared for the Committee's Inquiry, October 1993.
- 60 DEST. Unisearch Limited, *Cocos (Keeling) Islands Development Strategy – Final Draft* (June 1994).
- 61 DEST. Hassall & Associates Pty Ltd. *Christmas Island Economic Development Plan – 'Linking Australia to South East Asia' – a Strategic Plan developed in agreement with the people of Christmas Island* (July 1994).
- 62 Royal Australian Navy Hydrographic Service. Report of *HMAS Flinders* Hydrographic survey of Norfolk Island – 25 October to 21 November 1993, including charts.

**Exhibit
No.**

- 63 DEST. Reply of 6 September 1994 to request for updated information on the Cocos (Keeling) Islands.
- 64 WA Department of the Cabinet. Copies of media releases by the WA Minister for Transport on the future of Stateships, November 1993 to June 1994.
- 65 WA Department of Transport. Reply of 7 September 1994 to request for information about Stateships.
- 66 DEST. Reply of 7 September 1994 to request for information on receipts from levies on Christmas Island casino operations.
- 67 Government of Norfolk Island. Reply of 7 September 1994 to request for information on voyages by Cook Islands Line to Norfolk Island.
- 68 Department of Transport. Reply of 8 September 1994 to request for information on single voyage permits.
- 69 Argosy Norfolk Pty Ltd. Reply of 26 September 1994 to request for updated freight tariffs for shipping lines servicing Norfolk Island.
- 70 DEST. Reply of 27 September 1994 to request for information on Plantation Village resort on the Cocos (Keeling) Islands.
- 71 Administrator, Christmas Island. Copy of aircraft statistics summary for Christmas Island for the period 1 July 1994 to 10 September 1994. Copy of *Working Paper No 1, Island Strategy, Town Planning Study* prepared by Whelans, Max Margetts and Associates for the Christmas Island Shire Council. Received 28 September 1994.
- 72 DEST. Reply of 28 September 1994 to request for information on the progress of law reform in the Indian Ocean Territories.
- 73 Australian Taxation Office. Reply of 28 September 1994 to request for information on total net tax payable by Norfolk Island residents for 1992-93.
- 74 DEST. Reply of 11 October 1994 to request for information on the purchase price of the new barges for Christmas Island.
- 75 Government of Norfolk Island. Copy of letter of 23 September 1994 sent by Norfolk Island Minister for Tourism and Works to ASDMAR Pty Ltd.

**Exhibit
No.**

- 76 DEST. Copy of map indicating location of Rumah Baru, West Island, the Cocos (Keeling) Islands.
- 77 DEST. Letter of 15 November 1994, enclosing copy of proposal developed by Coastal Information and Engineering Services for an inland basin at Rumah Baru, the Cocos (Keeling) Islands.
- 78 Norfolk Island Government. Minutes of an informal meeting of some Members of the Norfolk Island Legislative Assembly on 7 November 1994. Tabled at public hearing on 21 November 1994.
- 79 Government of Norfolk Island. Briefing papers sent to Members of the Norfolk Island Legislative Assembly for their meeting of 7 November 1994. (Exhibit 78 refers). Provided to the Committee following the public hearing on 21 November 1994.
- 80 DEST. Update on progress of the Christmas Island Rebuilding Program. Provided on 25 November 1994 pursuant to a request by the Committee.
- 81 Australian Customs Service. *A Review of Export Controls* (September 1994).
- 82 Australian Customs Service. Letter of 6 December regarding export clearance requirements of permit issuing agencies for the external Territories.
- 83 Copy of media release by the WA Minister for Transport on Stateships' management, dated 29 November 1994.
- 84 Captain Neil McGovern, Harbourmaster. Record of conversations between Captain McGovern and Committee secretariat on 5 and 6 September 1994 regarding port facilities on Christmas Island.

Witnesses at Public Hearings

CANBERRA, MONDAY 13 DECEMBER 1993

Department of the Environment, Sport and Territories

Mr Graham Dempster, Principal Adviser, Territories Office
Mr Gerard Early, Executive Director, Territories Office
Mr Michael Lindfield, Assistant Director, Coordination and Projects
Mr Vivan Mawhinney, Director, Norfolk Island Section
Mr Geoffrey Toomer, Acting Director, Cocos (Keeling) Islands Section
Mr Peter Woods, Director, Christmas Island Section

CANBERRA, FRIDAY 4 FEBRUARY 1994

Department of Tourism

Mr Paul Bellchambers, Acting Assistant Secretary, Economic Policy Branch
Mr David Mazitelli, Executive Director
Mr Anthony Petkovic, Acting Director, Aviation and Land Transport Section

Australian Quarantine and Inspection Service

Mr Dennis Ayliffe, National Program Manager, Barrier Operations, Barrier
Coordination and Development Branch
Mr Denis Paterson, Assistant Director, Barrier Coordination & Development
Branch
Dr David Wilson, Head, Live Animal & Genetic Material Exports

W Islands Line, Division of Kingurra Nominees Pty Ltd

Mr Peter Warner, Director

Mr Donald Gubbay, International Technical Consultant

CANBERRA, FRIDAY 11 FEBRUARY 1994

Department of Transport

Mr David Anderson, Assistant Secretary, National Shipping & Infrastructure
Ms Patricia Barnes, Director, Shipping Industry Section
Mr Ross Gough, Director, Americas & The Pacific, Aviation Division
Mr John Page, Executive Officer, Shipping Industry Section

Becfab Equipment Pty Ltd

Mr Digby Hughes, Marketing Support
Mr John Wardell, Director

Commonwealth Grants Commission

Mr Charles Rye, Chairman
Mr Robert Searle, Secretary

Ansett Transport Industries (Operations) Pty Ltd

Mr Ronald Buckey, General Manager for Western Australia, Ansett Australia
Mr James Kimpton, Manager, Aviation Policy
Mr Russell Minkie, Eastern Regional Manager, Ansett International Air Freight
Mr Michael Oryl, Branch Manager, Ansett Air Freight
Ms Genine Wallinga, Deputy Manager, Aviation Policy

Australian Customs Service

Mr Thomas Anderson, Director, Secretariat
Mr James Fox, Chief Inspector, Passenger Processing
Mr Peter Gulbransen, Director, Exports, Import/Export Control Subprogram
Mr James Smith, Director, Imports, Import/Export Control Subprogram

CANBERRA, FRIDAY 4 MARCH 1994

Department of Immigration and Ethnic Affairs

Mr Emil Joseph, Assistant Secretary, Entry Branch

Department of Social Security

Mr David Henri, Project Officer, Retirement Programs Branch
Mr David Tune, Assistant Secretary, Retirement Programs Branch

Department of the Environment, Sport and Territories

Mr Gerard Early, Executive Director, Territories Office
Mr Michael Lindfield, Assistant Director, Coordination and Projects
Mr Michael Lucas, Assistant Director, Norfolk Island Section
Mr Vivan Mawhinney, Director, Norfolk Island Section
Mr Hugh Moore, Director, Coordination & Projects
Mr Geoffrey Toomer, Acting Director, Cocos (Keeling) Islands Section
Mr Peter Woods, Director, Christmas Island Section

PERTH, TUESDAY 26 APRIL 1994

Mr Neil Robinson, Shipping Manager, Total Western Shipping
Mr Graham Tresidder, Project Manager, Australian Construction Services
Mr Bryn Martin, Former General Manager, Christmas Island Utilities
Mr Michael Hudson-Ansell, Acting General Manager, Western Australia Coastal Shipping Commission
Mr Kenneth Edwards, Director, Islands Liaison Office Perth, DEST
Ms Helen Creed, Secretary, Australian Liquor Hospitality and Miscellaneous Workers Union, Miscellaneous Workers Division, WA Branch
Mr Ernest Zentner, Representative, Phosphate Resources NL
Mr Walter Pritchard, Joint Branch Secretary, Maritime Union of Australia

COCOS (KEELING) ISLANDS, WEDNESDAY 27 APRIL 1994

Shoppers Action Group, Cocos (Keeling) Islands
Mrs Rosemary Greaves, Committee Member
Mrs Claire White, Committee Member
Mrs Dalia Nada, Cocos Indah Restaurant
Cocos Coffee, Cocos Club
Mr David Richardson
Mrs Carren Richardson

Western Australia State School Teachers Union

Mr Peter Greaves, Union Representative for the Cocos (Keeling) Islands

COCOS (KEELING) ISLANDS, THURSDAY 28 APRIL 1994

Cocos (Keeling) Islands Shire Council

Mr Wahin Bynie, Councillor
Mr Woren Dedian, Councillor
Mr Ronald Grant, Shire President
Mr Alan Lamb, Shire Clerk
Mr Ibram Not, Councillor
Mr Balmut Pirus, Councillor
Mr Zaitol Wallie, Deputy Shire President

Cocos Islands Co-operative Society Ltd

Mr Azah Badlu, Management Committee
Mr Hawkins Bytol, Vice Chairman
Mr Woren Dedian, Secretary
Mr Ronald Grant, General Manager
Mr Cree Haig

Ms Cheryl Wright, Councillor, Christmas Island Shire Council

Mr Herman Gani, Director and Project Manager, Christmas Island Resort Pty Ltd

Mr Jeff Tranter, Representative, Australian Nature Conservation Agency

Mr Lauritz Andrew, Principal, Cocos (Keeling) District High School

COCOS (KEELING) ISLANDS, FRIDAY 29 APRIL 1994

Mr Robert McKnight, Christmas Island

Mr David Scott, General Secretary, Union of Christmas Island Workers

Mr Edward Turner, Christmas Island Chamber of Commerce Inc.,

Mr John Clunies-Ross, Managing Director, Cocos Traders Ltd

Mr John Hayes, Operations Manager, Asset Services

Mr Ian White, Manager, Cocos Island Quarantine Service

NORFOLK ISLAND, FRIDAY 20 MAY 1994

Norfolk Island Lighterage Service

Mr George Anderson, Director
Mr John Lorking, Director

Norfolk Island Chamber of Commerce Inc.

Mr Ian Anderson, Member
Mrs Monica Anderson, President
Mr Neville Christian, Member
Mr Andrew Clinton, Member
Mr Duncan Evans, Member
Mr Bruce Walker, Vice-President

Mr Bruce Walker, Company Secretary, Norfolk Island Supermarkets Pty Ltd

Mr Richard Hamilton-Irvine, Managing Director, Irvine's Proprietary Limited

Mr Duncan Evans, Managing Director/Owners Representative, Argosy Norfolk Pty Ltd/Norfolk Sofrana

Air New Zealand Limited

Mr Bill Budd, Route Revenue Manager, International Routes
Ms Irene King, Manager, Government Bilateral and Regulatory Affairs

Mr Donald Pratt, General Manager & Director, Cook Islands National Shipping Line

Mr Warren Langman, Chairman, Norfolk Island Government Tourist Bureau

Hon Michael King MLA, Minister, Norfolk Island Government

Mr John Brown and Mr Cedric Robinson, Norfolk Island

CANBERRA, FRIDAY 3 JUNE 1994

Mr Barry Wilson, Managing Director, Hunter International Pty Ltd

Department of the Environment, Sport and Territories

Mr Ross Bozen, Assistant Director, Cocos (Keeling) Islands Section
Mr Graham Dempster, Principal Adviser, Territories Office
Mr Kenneth Edwards, Director, Perth Office
Ms Susan Graham, Acting Director, Christmas Island Section
Mr Vivan Mawhinney, Acting Executive Director, Territories Office
Mr Hugh Moore, Director, Coordination and Projects
Mr Geoffrey Toomer, Acting Director, Cocos (Keeling) Islands Section

BRISBANE, MONDAY 21 NOVEMBER 1994

Norfolk Sealink

Mr Neville Christian, Executive Director
Mr Duncan Evans, Director

Mr Stuart Ballantyne, Managing Director, ASDMAR Pty Ltd

Hon Michael King MLA, Minister for Tourism and Works, Norfolk Island Government

Australia Post

Mr Brian McSweeney, Unit Manager, Systems and Network Development,
International Post Group
Mr Christopher Reynolds, Manager, Letter Operations
Mr Gerald Ryan, Corporate Secretary

Program of Visits

CHRISTMAS ISLAND AND COCOS (KEELING) ISLANDS 31 OCTOBER - 6 NOVEMBER 1993

Monday 1 November

on Christmas Island

8.00am Meeting at the Administration Offices with:

- Mr Michael Grimes, Administrator;
- Mr Ross Bozen, Director, Commercial Operations and Development;
- Mr Bryn Martin, General Manager, Christmas Island Utilities; and
- Mr Ray Heather, Director, Property Services.

8.30am Inspections of:

- the wharf;
- container yard and warehouse;
- Marine Building and jetty;
- fuel facilities adjacent to the wharf.

The inspection was conducted by Mr Bryn Martin, General Manager, Christmas Island Utilities. The Committee met briefly with Mr John Schmidt, Manager, Gaseng to discuss the fuel facilities.

The Committee was able to observe phosphate rock being loaded onto a ship by cantilever, and the simultaneous loading of bagged phosphate dust which was carried out to the ship on barges.

11.00am Inspection of Christmas Island Rebuilding Program

The Committee was conducted on an minibus inspection of the built-up area of Christmas Island by Mr Ray Heather, Director, Property Services, to see some of the projects in the Rebuilding Program.

- 1.00pm Inspection of casino and resort complex.
- The Committee met Mr John Farrow, Casino Manager and Mr Herman Gani, Project Manager, Christmas Island Resort Pty Ltd.
- 3.00pm Meeting with Phosphate Resources NL, and inspection of phosphate processing facility at Drumsite.
- The Committee held discussions with Mr Lai Ah Hong, Chairman and Mr David Argyle, Managing Director.

Tuesday 2 November

on Christmas Island

- 9.00am Meetings at the Administrator's residence. The Committee met with:
- Mr Rob Turner, General Secretary, Union of Christmas Island Workers;
 - Representatives of the Christmas Island Chamber of Commerce:

Mr Bob McKnight, Christmas Island Bus Services;
 Mr Russ Payne, McKimmie, Jamieson and Partners, Surveyors;
 Mr Mark Rochfort, Christmas Island Supermarket;
 Mr John Searle, Entact Clough;
 Mr Peter Whyte, Christmas Island Maritime Agencies.
- 12.00n Inspection of supermarket
- 1.00pm Meeting with Shire Council at the George Fam Centre
- The Committee met with:
- Ms Lillian Oh, Shire President;
 - Mr David Argyle, Councillor;
 - Mr Mark Rochfort, Councillor;
 - Mr Geoff Glass, Shire Clerk.
- 2.00pm Meeting at the offices of the Australian Nature Conservation Agency at Drumsite, followed by tour of National Park conducted by Mr Graham Beech, Government Conservator and Dr Holger Rumpff, Consultant Scientist.

Wednesday 3 November

on Christmas Island

- 8.00am Inspection of school. The Committee was welcomed by the Principal, Mr Paul Kovalevs.
- 9.00am Discussions with Mr John Clunies-Ross at the Administrator's Residence.
- 11.15am Inspection of airport facilities.
- This inspection was conducted by Mr Bryn Martin, General Manager, Christmas Island Utilities and Mr Ray Heather, Director, Property Services.
- 11.45am Committee members boarded aircraft for flight to Cocos (Keeling) Islands.

Wednesday 3 November

on the Cocos (Keeling) Islands

- 3.00pm Meeting with Mr John Read, Administrator and Mr Grant Barron, Official Secretary, CAA Conference Room.
- 3.45pm Meeting with small businesses, CAA Conference Room:
- Mrs Carren Richardson, Cocos Coffee Shop;
 - Mr Arkrie bin Ireland, Cocos Indah Restaurant.
- 4.30pm Tour of West Island by bus including a visit to the horticultural development on West Island where tropical fruits and vegetables are being produced using hydroponics, and inspection of potential freight landing sites.

Thursday 4 November

on the Cocos (Keeling) Islands

7.30am Committee members boarded ferry to Home Island.

8.00am Meeting with members of the Cocos (Keeling) Islands Shire Council and the Cocos Islands Co-operative Society Ltd in Council Offices, Home Island.

Cocos (Keeling) Shire Council (elected 1 May 1993)

Messrs:

Ron Grant (President)
Haji Zaitol bin Wallie (vice President)
Haji Wahin bin Bynie
Ibram bin Not
Woren bin Dedian
Amat-Noor bin Anthoney
Balmut bin Pirus
Alan Lamb, Shire Clerk

Co-operative Management Committee (elected 2 October 1993)

Messrs:

Amat-Noor bin Anthoney (Chairman)
Hawkins bin Bytol (Vice-Chairman)
Cree bin Haig OAM
Jim bin Yabat
Wedding bin Rasa
Ramnie bin Mokta
Azah bin Badlu
Mihan bin Wallie

Ms Maizah Bat and Mr Alistair Welsh provided interpreter services to the Committee.

11.00am Committee members boarded the ferry to West Island.

1.00pm Meeting with Mr Joe Gellatly, Manager, Asset Services at the CAA Conference Room, including presentation of video showing stevedoring and freight handling operations at the Cocos (Keeling) Islands.

- 2.00pm Meeting with Cocos Island Quarantine Service:
- Dr Miles Cooper;
 - Mr Ian White.
- 2.45pm Meeting with Mr Dieter Gerhard, Manager, Cocos Dive and Tackle Shop.
- 3.00pm Meeting with Shoppers Action Group:
- Ms Rosemary Greaves;
 - Ms Leanne McMahon.
- 3.30pm Meeting with Mr Jeff Tranter, Conservator, Australian Nature Conservation Agency.

Friday 5 November

on the Cocos (Keeling) Islands

- 7.30am Committee members boarded the ferry to Home Island.
- 8.00am Meeting at the Cocos (Keeling) Islands District School. The Committee met:
- Mr Laurie Andrews, Principal;
 - Mr David Hewitt, Deputy Principal;
 - Mr Peter Greaves, Secretary, State School Teachers Union, the Cocos (Keeling) Islands Branch.
- 12.00n Inspection of Oceania House, attendance at school assembly, inspection of Home Island supermarket, inspection of museum, followed by a boat trip to see the anchorage for Stateships' vessels at Direction Island.

NORFOLK ISLAND
27 - 29 JANUARY 1994

Thursday 27 January

- 1.30pm Committee members arrived at Norfolk Island airport.
- 2.30pm The Committee met with Mr Alan Kerr, Administrator, at the Castaway Hotel Conference Room.
- 3.30pm Tour of Norfolk Island and inspection of existing freight handling facilities and potential harbour sites.

Friday 28 January

- 9.00am Meeting with Norfolk Island Legislative Assembly Members, Committee Room, Old Military Barracks, Kingston.
- Hon David Buffet AM MLA, President
Hon Geoff Bennett MLA, Minister for Finance
Hon John Brown MLA, Minister for Health and Education
Hon Michael King MLA, Minister for Tourism and Works
Hon Ric Robinson MLA, Minister for Commerce and the Environment
Mr Brian Bates MLA
Mr Ernie Christian MLA
Mr Bill Sanders MLA
- 10.50am Meeting with representatives of the Norfolk Island Chamber of Commerce, Castaway Conference Room:
- Mrs Monica Anderson (President);
 - Mr Bruce Walker (Vice President);
 - Mr Ian Anderson;
 - Mr Andrew Clinton;
 - Mr Bill Winner;
 - Mr Duncan Evans.
- 11.40am Meeting with representatives of the Norfolk Island Government Tourist Bureau:
- Mr Warren Langman, Chairman;
 - Mrs Joy Evans;
 - Mr John Hughes.
- 12.15pm Working Lunch for Committee Members hosted by the Norfolk Island Government.

- 1.30pm Meeting with Mr Duncan Evans, Director, Argosy Norfolk Pty Ltd/Norfolk Sofrana, at the Castaway Conference Room.
- 2.15pm Meeting with Hon Geoff Bennett, Minister for Finance.
- 3.00pm-4.30pm Open forum at the Castaway Conference Room. The Committee met for informal discussions with Norfolk Island residents.

Saturday 29 January

- 10.00am The Committee was conducted on an inspection of a supermarket warehouse, Burnt Pine, by Mr Bruce Walker, Company Secretary, Norfolk Island Supermarkets Pty Ltd.
- 10.45am Committee members were conducted on an inspection of the Government Offices, Kingston, by the Administrator, Mr Alan Kerr.

GLOSSARY

The explanations of the terms below give the meaning of the term in the context of this Inquiry and this Report.

Amphibious landing vessel Craft able to travel through water and over land. A motorised barge equipped with swampdozer tracks which is able to run up beaches under its own power.

Backfreight Freight consigned on the return voyage. For example, freight sent from the external Territories to mainland Australia.

Break bulk Freight which is not shipped in containers. For example, freight packed on pallets.

Cabotage Domestic trade in coastal waters. Under the *Navigation Act 1912*, only licensed ships employing crew under Australian awards have the right to ship freight from one Australian port to another Australian port.

Cantilever A metal bracket overhanging the cliff at Flying Fish Cove, Christmas Island, used to load phosphate rock from the wharf direct into the holds of bulk vessels. The phosphate is carried up and along the cantilever by conveyor belt.

Causeway A raised road across a channel of water or low lying ground. This form of construction has been proposed to connect the islands of the South Keeling group, Cocos (Keeling) Islands.

Consolidation of freight The packing of freight containers prior to shipping. The function of freight consolidators includes acceptance of freight into store, obtaining and checking documentation, devising a load plan, packing the container, delivery to wharf.

Containerised freight Freight which is carried in shipping containers (as opposed to break bulk). See **container**.

Container A metal box with International Standards Organisation (ISO) dimensions. In this Report, the containers discussed are 6.1 metres [20 feet] in exterior length. There are larger containers but these are not commonly used to ship freight to the external Territories.

Container demurrage Holding containers at the port. There is a charge for every day a container owned by the shipping line is detained on Christmas Island or the Cocos (Keeling) Islands.

Deconsolidation The process of unpacking freight containers.

Demurrage The delay of a vessel beyond the time it is agreed the vessel will be in port. A demurrage charge is levied to compensate the shipping line for the cost of the ship being delayed in a port for reasons beyond the control of the ship's management.

District Allowances A premium included in an industrial award to compensate residents of particular locations for the higher costs of living, lack of amenities, difficult climatic conditions, or other factors peculiar to that location.

Documents of identity Proof of Australian citizenship or residency, issued by the Department of Foreign Affairs and Trade to Australian citizens travelling to Norfolk Island in lieu of a passport. These documents of identity are only valid for travel to Norfolk Island.

Dolphins Mooring posts, resembling partly submerged telegraph poles, driven into the seabed.

Draught The vertical distance between the waterline and the keel of a ship. A shallow draught vessel is one which does not sit too deep in the water.

Dumb barge A floating platform with no independent means of propulsion, as opposed to a motorised barge. The dumb barge stationed on the Cocos (Keeling) Islands, the *Jasa Cocos*, must be towed between ship and shore by a tug, or launch, or motorised barge.

Export Clearance Number A reference number allocated by the Australian Customs Service to a consignment of freight exported from Australia. At the time of writing there was a statutory requirement for all freight consignments valued at \$500 or more to obtain an Export Clearance Number prior to being loaded for transport from mainland Australia to the external Territories.

Export consignment note A document accompanying freight parcels sent to the external Territories by air or sea freight. The consignment note is required by the freight carrier and should not be confused with the Export Clearance Number.

Flatracks Shipping containers without side and roof panels. Flatracks can be used to carry bulky goods such as motor vehicles and structural lengths of steel and timber.

Full container load That quantity of cargo which allows a container to be loaded with goods of one supplier.

Gantry crane A crane supported on a spanning framework. The gantry support allows vessels or motor vehicles to move underneath the crane.

Hardstand An area with a solid and impervious base, such as concrete. A hardstand could be required for quarantine purposes or for a loading bay.

Hiab crane A hydraulic crane with hinged arm. This type of crane could be fitted to a ship or barge for freight unloading.

Hoverbarge A craft propelled on a cushion of air. The hoverbarge floats over the surface of water or land. It was proposed that this type of craft could be used to unload containers from ship to shore in the external Territories.

Islands Liaison Office A section of the Commonwealth Department of the Environment, Sport and Territories, based in Perth, with special responsibility for the Indian Ocean Territories.

Joint Island Supply System (JISS) The name given to the charter shipping and freight handling service provided to the Indian Ocean Territories from 1989 to early 1993 by various companies under contracts to the Commonwealth.

LACV-30 Lighter, Air Cushion Vehicle. A particular make of hoverbarge, supplied to the US Army by Textron Marine and Land Systems. The LACV-30 is a hovercraft application designed for carrying freight containers and heavy equipment.

Laytime The time allowed by a shipping line for its ship to be in port to unload freight (before demurrage starts to accrue). For example, at Christmas Island, Stateships allows 24 hours for every 50 containers unloaded, as laytime.

Lighterage The carriage of freight between ship and shore. The name comes from the types of boats once used (open whaling boats known as lighters). On Norfolk Island, lighters are still used for freight handling.

Linchaul The carriage of freight from one port to another (exclusive of associated services and charges such as stevedoring, wharfage, port service charges, demurrage).

Liner shipping service A shipping service operated over a specific route on a regular scheduled basis.

Liner terms This is the expression used where the sea freight charge includes the supply of containers, receipt and loading of containers at the loading wharf, sea transport, discharge onto the wharf and loadout to the consignees' vehicles at the destination, receipt of returned empty containers.

Liner In–Free Out/Free In–Liner Out A liner shipping service where the terms are amended so that it is the responsibility of the shipper to arrange and pay for stevedoring and freight handling at the port. These terms apply to Stateships' services to Christmas Island and the Cocos (Keeling) Islands.

Location Allowances See **District Allowances**.

Mini-containers Half standard size shipping containers about 3 metres in length [10 foot].

Notice of readiness Formal notification of time of arrival in port, given by a ship to the port authorities. Laytime and demurrage are calculated from this time.

Overcarriage Carriage of freight beyond its destination to another port. Typically, this occurs when it is not possible to unload at the discharge port because of bad weather, industrial dispute, or some other reason beyond the control of the ship's management.

Regular public transport An air service with a published schedule of regular services that are available to any member of the public. Ansett offers regular public transport services to the external Territories.

Remote Area Allowance A premium paid to Australian social security recipients who live in prescribed remote areas. Social security recipients on Christmas Island and the Cocos (Keeling) Islands are eligible for Remote Area Allowance.

Repositioning, restowing (of containers) The relocation of containers around a ship in the course of stevedoring operations.

Roll-on/roll-off (RO/RO) Freight unloading operations whereby freight is transferred from the ship to the wharf on trailers or forklifts or other vehicles, without the need for cranes to lift the freight onto the wharf.

Shipper Party on whose account goods are consigned. The shipper is the party with the contractual or other arrangement with the shipping line for the shipment of cargo. The shipper can be the exporter or the consignee.

Single voyage permits Special exemptions from the cabotage provisions of the *Navigation Act 1912*, valid for one sailing. Single voyage permits are issued by the Department of Transport in situations where a licensed ship is not available or not suitable to carry freight between Australian ports. See **cabotage**.

Straddle crane A crane supported on a structure which sits astride a body of water, allowing barges or boats to move underneath the crane. Such a structure was proposed for Ball Bay, Norfolk Island.

Stern landing vessel A ship which reverses into a landing area and drops its stern ramp onto a landing ramp, allowing RO/RO operations.

Stevedoring The loading or unloading of a vessel. Stevedores on a ship are responsible for handling freight from the ship's hold onto the wharf or barges, using the ship's cranes.

Swell Waves, especially when long and unbroken. Swell conditions cause a ship to roll, making stevedoring operations dangerous in an open sea port.

Swinglift trailer A self-loading trailer to be coupled to a prime mover. The trailer is equipped with hydraulic arms to pick a container up off the ground and lift it onto the trailer.

Tasmanian Freight Equalisation Scheme A Commonwealth program which subsidises Tasmanian producers for the freight costs associated with sourcing raw materials from the mainland and sending finished products to the mainland for sale.

TEU Twenty foot container equivalent units. Equivalent to a standard (20 foot or 6.1 metre) shipping container. This expression is used in freight tariffs.

Union purchase gear Derricks on a ship which load and unload freight on two counterbalancing wires. Ships servicing Norfolk Island are required to be equipped with union purchase gear.

Yokohama fenders Compressible guards installed on the side of a wharf or a jetty to absorb the impact of the ship rolling against the fixed structure. This equipment was proposed for a wharf at Christmas Island.

Zone Allowances Rebates allowed through the taxation system to residents in particular remote locations.