

STATEMENT TO THE SENATE FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

The following information is provided in relation to the lease of Centenary House which continues to be the subject of the Committee's interest.

The ANAO's dealings with the building owners of Centenary House have been on the basis of the commercial arrangements set out in the lease. Nevertheless, the ANAO has, for some time, brought Parliamentary Member and Committee concerns about the rent levels of Centenary House to the attention of the representatives of the building owners, both orally and in writing. As well, there has been considerable publicity by press release and other public and media comment on the issue over many years. There has been no interest expressed by the various representatives of the building owners in considering issues other than those covered by the lease documentation.

The Committee has previously been provided with copies of relevant correspondence including the various legal opinions obtained on the prospect of getting out of the lease or renegotiating its terms on a more favourable basis to the Commonwealth. The legal opinions are clear that the Commonwealth of Australia, as signatory to the lease, is bound by its provisions. For any lease to be renegotiated normally requires both parties to have an interest in doing so because there is some perceived gain to both, that is, a win-win situation. The representatives of the building owners have consistently advised they are not prepared to renegotiate the lease.

In this context, in the more recent letter dated 28 August 2002, John Curtin House Limited, the lessor, advised the ANAO that the company's mortgagee, Macquarie Bank Limited, was heavily involved in the original lease negotiations and the structure of the borrowings was based on the certainty of the future cash flow generated by the agreed fixed rental increases. The letter also states that the Directors could not responsibly assist, but indicated the matter would be considered by the Directors at their next meeting. In a letter dated 18 September 2002, the Company confirmed the Directors had considered the matter and indicated they could not reasonably assist at this time.

The Committee is also aware that the lease provides an opportunity to renew the lease for a further period. The ANAO took the opportunity, as indicated in the ANAO's letter of 3 April 2003, to advise the lessor that the only circumstances in which the ANAO would consider the option to extend the lease term would be if the Directors

would be prepared to renegotiate the terms of the original lease. In the event, no concession has been offered and the ANAO consequently has not taken up the option to extend the lease term.

Copies of correspondence referred to above are attached.

At the Committee's hearing on Tuesday, 27 May 2003, Senator Brandis indicated, in the context of questions concerning Centenary House, that he proposed to ask about details of a conversation held with representatives of John Curtin House Limited mentioned by Mr Coleman in evidence.

To assist the Committee the following is Mr Coleman's recollection, to the best of his knowledge, of the details of a meeting held on 1 April 2003. In doing this, Mr Coleman has had discussions with Mr Denzil Bourne of this Office, who was also present at the meeting and confirms these recollections.

A meeting, which was arranged to discuss a letter received from John Curtin House Limited dated 21 March 2003, took place in Centenary House at approximately 1.30pm on Tuesday, 1 April 2003. Those in attendance were Mr Russell Coleman and Mr Denzil Bourne from the ANAO; Mr Paul Wilkinson, Secretary, John Curtin House Limited and Mr Jim Gartrell, Assistant Secretary of the ALP.

The ANAO's letter of 3 April 2003, in response to the Company's letter of 21 March 2003, served as the record of the foregoing meeting. No separate record of the details of the meeting was made.

Copies of this correspondence are also attached.

The primary purpose of the meeting was to discuss the refurbishment plan which was submitted under cover of the letter dated 21 March 2003. The meeting involved a discussion of the following matters:

- the proposed refurbishment plan attached to the Company's letter of 21 March 2003 which would be implemented in the event the ANAO chose the option to extend the lease for a further 5 years. Advice was sought by the ANAO about the lessor's intentions to undertake all or part of the refurbishment plan in the event that the ANAO did not exercise the option to extend the lease. Representatives of John Curtin House Limited indicated in broad terms that some of the work would be undertaken in the normal course;
- ANAO representatives pointed out the unsatisfactory lease position, noting that this had been raised informally and formally with the company on a number of previous occasions. The ANAO representatives made it clear that any consideration of extending the lease would only be undertaken in the context of the lessor agreeing to more satisfactory lease arrangements between now and the end of the current lease term in September 2008. Representatives of John Curtin House Limited indicated that existing financing arrangements did not allow the company flexibility in this regard;

- there was a general discussion about the options available to both parties on the expiration of the existing lease, with the ANAO representatives indicating that it would be a matter for the Auditor-General at the time whether or not the ANAO wished to consider the possibility of remaining in Centenary House;
- the meeting also included a brief discussion about the staffing of the reception desk which had been recently completed in the foyer, including the arrangements which the ANAO had with the Department of Foreign Affairs and Trade. John Curtin House Limited representatives indicated they had no difficulty with the proposed arrangements; and
- the meeting also briefly canvassed the satisfactory recarpeting of the building which had been undertaken between December 2002 and February 2003.

The meeting concluded at approximately 2.45pm.

Oliver Winder
Deputy Auditor-General

29 May 2003

John Curtin House Limited

(Incorporated in the ACT)
ACN 008 515 222

PO Box E1 Kingston, ACT 2604
Centenary House 19 National Circuit Barton ACT 2600
Telephone (02) 6120 0800 Facsimile (02) 6120 0801

28 August 2002

Mr Russell Coleman
Executive Director
Corporate Management Branch
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601



*Ms Welch
pls file
M 4/9*

Dear Mr Coleman,

I write in relation to your letter of 8 March 2002 relating to the ANAO's lease obligations under the Centenary House lease.

The directors are, of course, willing to give consideration to your request.

However, I must advise that the view we provided in April of last year to a similar request is likely to remain.

As you would be aware, the company's mortgagee, Macquarie Bank Limited, was heavily involved in the original lease negotiations and the structure of the borrowing was based on the certainty of the future cash flow generated by the agreed fixed rental increases.

Any variation to the rentals would create difficulties for the company in meeting its obligations to the mortgagee.

The lease was entered into in good faith by both parties, based on the agreed terms and conditions.

In these circumstances, the directors reached a view in relation to your last request that they could not responsibly, at that point in time, assist you.

Nonetheless, the matter will be considered again by the directors at their next meeting.

I will advise you of the outcome of that consideration.

Yours sincerely

Paul Wilkinson
Secretary

John Curtin House Limited

(Incorporated in the ACT)
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18 September 2002

Mr Russell Coleman
Executive Director
Corporate Management Branch
Australian National Audit Office
GPO Box 707
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Mr Boyle
→ Russell
EYF
ms
MS 25/09

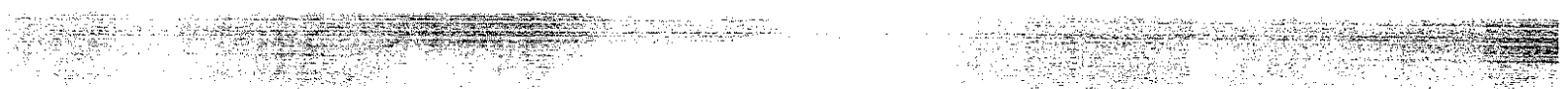
Dear Mr Coleman,

Further to our letter of 28 August 2002 in relation to the ANAO's lease obligations under the Centenary House lease, I confirm that the directors have considered your request and that they cannot responsibly assist you at this time.

Yours sincerely



Paul Wilkinson
Secretary





3 April 2003



Australian National
Audit Office

Mr Paul Wilkinson
Company Secretary
John Curtin House Limited
PO Box E1
KINGSTON ACT 2604

Dear Mr Wilkinson

Thank you for your letter in relation to the Centenary House Refurbishment Plan dated 21 March 2003. As you are aware Clause 35 of the head lease between the Australian National Audit Office (ANAO) and John Curtin House, provides, amongst other things, an option for the ANAO to renew the lease for a further five years under the same terms and conditions as the original lease.

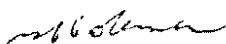
As indicated in previous correspondence, the current rent payable is significantly more than market rent levels now, and expected in the next few years. In these circumstances we would not wish to exercise this option. We will, of course, consider our position nearer the end of the present lease term.

The only circumstances in which the ANAO would consider exercising the option to extend the lease term, would be if the Directors of John Curtin House Ltd would be prepared to renegotiate the terms of the existing lease. Your advice of the Directors' preparedness in this regard would be appreciated.

Regarding the draft Refurbishment Plan enclosed with your letter, the ANAO has no suggestions for amendment or additional work. We note your assessment about the damage caused by our contractors and acknowledge that you have included rectification of this damage in your plan. We shall take steps to ensure that our contractors are aware of their responsibilities to avoid such occurrences in future. I would appreciate confirmation of your intentions regarding the implementation of the Plan in due course.

We are happy to assist in the coordination of this activity as it affects the ANAO. Should you wish to discuss any aspect of this matter, please do not hesitate to contact Denzil Bourne on 02 6203 7661 or email denzil.bourne@anao.gov.au in the first instance.

Yours sincerely


Russell Coleman
Executive Director
Corporate Management Branch

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Mr Bourne
Pls discuss
2/3

21 March 2003

Mr Russell Coleman
Director Corporate Management
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

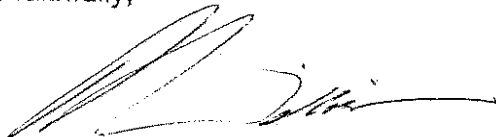
Dear Mr Coleman,

The enclosed refurbishment plan is submitted in accordance with Clause 35 of the Lease and sets out the works which the Lessor would propose to carry out should you exercise your option to renew the Lease. //

We note that some of the works proposed include rectification of damage caused by you or your contractors (e.g. 4.5, 4.6, 4.7, 5.7), and routine maintenance that would ordinarily be your responsibility (e.g. 5.9). However, we would like to discuss, without prejudice, these and any other issues you may have at a mutually convenient time.

We look forward to receiving within one month, any suggested amendments you may have.

Yours faithfully,



Paul Wilkinson
Company Secretary

CENTENARY HOUSE	
REFURBISHMENT PLAN	
1.0 ARCHITECTURAL WORKS	
1.1	Recarpet the ALP tenancy
1.2	Repaint fire stair door (ground floor, central core)
1.3	Retile areas of bathroom walls (male toilets, level 1; male toilets, ALP tenancy)
1.4	Replace water damaged plasterboard (male toilet, ground floor; male toilet, level 1)
1.5	Repaint plasterboard ceilings to toilets generally
1.6	Refix loose laminate panel to vanity (male toilet, level 2)
1.7	Repaint all main building exterior surfaces including pre-finished walls, concrete walls, handrails, metal panels, sunscreens, flag poles, doors, door frames painted vents, sunscreen support rails, painted and pre-finished soffits, fascia, columns, bollards and light poles
1.8	Repaint BBQ exterior surfaces including concrete walls, bench and seat tops and metal pole
1.9	Repaint fire stair landings with non-slip finish (NW & SE fire stairs)
1.10	Extend existing balustrade to 1000mm on fire stair landings (NW & SE fire stairs)
1.11	New line marking to basement disabled carparks
1.12	Provide braille and tactile signage to disabled sanitary facility on the ground floor
1.13	Provide tactile ground surface indicators to front entry stairs and rear entry ramp
1.14	Disabled toilet (ground floor, ANAO tenancy):
	- relocate existing doorway & provide door clearance of 800mm;
	- provide new sanitary fixtures in location to suit new doorway including new basin, WC suite & shower suite;
	- provide new grabrails to suit existing location of WC pan;
	- remove and replace floor and wall tiles in disabled WC only
2.0 MECHANICAL SERVICES	
2.1	Instal air-conditioning to lift motor room
3.0 ELECTRICAL SERVICES	
3.1	Replace faulty exit & emergency units as required
4.0 FIRE EGRESS /FIRE INTEGRITY/FIRE COMPARTMENTATION	
4.1	Repair blockwork to switch room for minor cracking and mortar joint defects.
4.2	Lift motor room steel beam penetration requires fire rating.
4.3	Rectify switch room fire doors not closing correctly. Repair penetration damage in switch room.
4.4	Repair switch room fire door not correctly closing.
4.5	Repair blockwork damage evident in fire stairs. From carpark. Cable penetrations required sealing in carpark soffit.
4.6	Treat / seal where electrical and hydraulics services penetrate slabs without effective fire stopping.
4.7	Treat / seal where electrical and hydraulics services penetrate building elements without effective fire stopping.
4.8	Reposition handrail to lift motor room to 1000mm and instal additional handrail required where step access is provided out on to roof area.
4.9	Separate North East stair as required to prevent egress past the point to open space or road.
4.10	Repair switchboard smoke seals as required.
4.11	Provide roof access anchor points. Reposition handrails in fire stairs to 1000mm.
4.12	Instal essential fire door signage as required. Re-paint Fire Brigade Booster valve enclosure signage.

CENTENARY HOUSE	
REFURBISHMENT PLAN	
5.0 HYDRAULIC SERVICES	
5.1	Instal backflow prevention device on water supply line to plant room equipment.
5.2	Instal backflow prevention devices to all external hose taps and hose taps located within plant rooms.
5.3	Instal backflow prevention devices to all fire hose reels located in basement and plant rooms.
5.4	Investigate further the installation of thermostatic mixing valves. If they do not exist, install thermostatic mixing valves on hot water supply to all hand basins and showers.
5.5	Investigate further the operation of the hot water units and repair as required.
5.6	Investigate further the extent hot water flow and return pipes that are insulated. Insulate any pipes that are found not to be.
5.7	Paint and label the recently installed waste line (southern side of lifts visible in basement).
5.8	Install correct shower tap fittings to disabled persons amenities (ground floor).
5.9	Repair the leaking urinal cistern on the first floor.
6.0 STRUCTURAL SERVICES	
6.1	Monitor membranes under landscaping for water leaching and repair as required.
6.2	Repair joint sealants between slabs and against building.
6.3	Repaint concrete walls around landscaped area at north end.
6.4	Repaint steelwork generally.
7.0 LIFT SERVICES	
7.1	Instal fire extinguisher in the Lift Motor Room
7.2	Install RCD safety switches to lift car light & power circuit
7.3	Instal disabled handrail adjacent to lift car operating panel
7.4	Upgrade lift car lighting
7.5	Instal side wall car operator panels with braille tactiles and floor annunciation
7.6	Installation of new landing button panels with braille tactiles
7.7	Upgrade electronic door protection
7.8	Instal mechanical guarding of machine room lighting