

**Senate Standing Committee on Finance & Public Administration
Inquiry into the relationship between the Central Land Council and Centrecorp
Aboriginal Investment Corporation Pty Ltd ('Centrecorp')**

Supplementary submission by the Central Land Council

The CLC has been advised by the Secretary of the Committee of the Committee's decision to publish documents sent to the Committee by the Central Land Council on 12 August 2009.

On 18 June 2009 the Committee requested the CLC to provide various categories of documents for the financial years 2002-03 to 2008-09, and those documents were sent to the Committee on 12 August 2009. The Committee has now advised the CLC of its intention to publish those documents, subject to certain conditions advised in a letter from the secretary dated 29 October 2009.

Publication of certain of the documents without further explanation of the circumstances surrounding the transactions referred to therein, and without the opportunity to provide explanatory information at a public hearing, may create a misleading impression. For that reason, in order to assist the Committee, the CLC submits further documents pertaining to some of the matters referred to in the documents provided earlier. We request that these documents also be published.

All but two of these additional documents are not within any of the categories previously requested by the Committee, but they pertain to a transaction or transactions referred to in the documents previously supplied.

In brief, on 27 August 2002 the CLC wrote to the Hon Phillip Ruddock, the then Minister for Immigration, Multicultural and Indigenous Affairs, requesting his consent to various transactions pursuant to subsection 27(3) of the *Aboriginal Land Rights (Northern Territory) Act 1976* with the object of developing office premises on Lot 7409 Town of Alice Springs. The Minister's response dated 27 September 2002 was very encouraging. As a result the CLC proceeded to put together a very detailed proposal for the project, for the Minister's further consideration.

The proposal was forwarded to the Minister on 21 March 2003, with comprehensive supporting documentation. The proposal would have required that the CLC borrow monies, secured by mortgages over its properties in Alice Springs. In view of the requirements of section 33 of the Land Rights Act that any borrowings require the approval of the Finance Minister, a copy of the letter to Minister Ruddock, with the supporting documentation, was sent to the Treasurer, the Hon Peter Costello MP, on 21 March 2009.

Both Ministers responded, and consistent with Minister Ruddock's reply of 1 April 2003, the project was referred to ATSIC for evaluation.

Purchase of Lot 7409 Stuart Highway, Alice Springs from Centrecorp

Subsequently, the CLC's circumstances changed when it recovered approximately \$1,450,000 in payroll tax from the Northern Territory Government. The CLC sought approval from the then Minister, Senator Vanstone, to use the recovered funds to purchase Lot 7409 from Centrecorp. Full particulars of the proposed transaction and the project to develop the site into CLC offices, were provided to her Department, ATSIIS, by letter dated 7 June 2004.

Following receipt of approval to purchase Lot 7409 the CLC obtained an independent valuation to assist it in negotiating a fair price. In a letter dated 3 February 2005 to Centrecorp the CLC recorded that its initial offer of \$1,250,000 had been rejected, and amended that offer to \$1,300,000. The offer was rejected by Centrecorp by letter dated 25 February 2005 and a counter-offer to sell for \$1,425,000 was made.

OIPC officers then referred the matter to the AVO for advice concerning the valuation of the premises, and received advice based on the valuation range and acquisition costs that a figure from \$1,371,000 to \$1,421,000 was reasonable. By letter dated 21 March 2005, the CLC offered Centrecorp \$1,380,000 and that offer was accepted and the purchase was completed at that price on 15 April 2005.

Sale of 75 Hartley Street, Alice Springs to Centrecorp

The sale by CLC to Centrecorp of 75 Hartley Street, Alice Springs, was completed on 13 November 2008. The price of \$572,000 received by the CLC was at the upper

range of three valuations obtained by the CLC from the AVO and two private valuers, and was net of sales commission because it was a private sale.

Central Land Council
Alice Springs

12 November 2009

Attachments

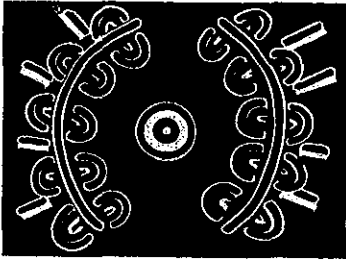
- 1 Letter to Minister Ruddock dated 27 August 2002;
- 2 Letter from Minister Rudd dated 27 September 2002
- 3 Letter from Minister Ruddock dated 3 March 2003;
- 4 Letter to Minister Ruddock dated 21 March 2003 (70 pages of attachments not included);
- 5 Letter to Treasurer Mr Costello dated 21 March 2003 (70 pages of attachments not included);
6. Letter from Minister Ruddock dated 1 April 2003;
7. Letter from Treasurer Costello dated 17 April 2003;
8. Letter from CLC to Brian Stacey, Group Manager, Land & Development Group, ATSIIS dated 7 June 2004;
9. Letter from CLC to Centrecorp dated 3 February 2005;
10. Letter from Centrecorp to CLC dated 25 February 2005;
11. Letter from Fred Marrone, Australian Valuation Office, Darwin to Brian Stacey, OIPC, Darwin dated 18 March 2005 and email attaching it;

Attachments

Senate Standing Committee on Finance & Public Administration Inquiry into the relationship between the Central Land Council and Centrecorp Aboriginal Investment Corporation Pty Ltd ('Centrecorp')

Documents to accompany Central Land Council's supplementary submission to the inquiry

- 1 Letter to Minister Ruddock dated 27 August 2002;
- 2 Letter from Minister Rudd dated 27 September 2002
- 3 Letter from Minister Ruddock dated 3 March 2003;
- 4 Letter to Minister Ruddock dated 21 March 2003 (70 pages of attachments not included);
- 5 Letter to Treasurer Mr Costello dated 21 March 2003 (70 pages of attachments not included);
6. Letter from Minister Ruddock dated 1 April 2003;
7. Letter from Treasurer Costello dated 17 April 2003;
8. Letter from CLC to Brian Stacey, Group Manager, Land & Development Group, ATSIIS dated 7 June 2004;
9. Letter from CLC to Centrecorp dated 3 February 2005;
10. Letter from Centrecorp to CLC dated 25 February 2005;
11. Letter from Fred Marrone, Australian Valuation Office, Darwin, to Brian Stacey, OIPC, Darwin dated 18 March 2005 and email attaching it;



Central Land Council

33 Stuart Highway
Alice Springs
Northern Territory

P.O. Box 3321
Alice Springs
N.T. 0871

27 August 2002

Our ref: 2002/871

Hon. Phillip Ruddock MP
Minister for Immigration, Multicultural and Indigenous Affairs.
Parliament House
CANBERRA ACT 2600

FAXED
29/8/02
10:50am

Dear Minister,

For some years the Central Land Council has been seeking new office premises in Alice Springs in order to co-locate its Alice Springs operations on the one site. CLC operations have steadily increased over the years, particularly since acquiring additional statutory functions as a Native Title Representative Body in January 1994. CLC staff numbers have now expanded beyond the capacity of its main premises in Alice Springs and at present, its operations are spread over six disparate locations across the town. The negative impact of this on the organisation is considerable. It is an obstacle to the collaboration required by CLC staff, is expensive and highly inefficient.

There is a pressing need to consolidate the CLC administration and functions at a single location. However, there are no remotely suitable premises available to rent in Alice Springs and given the small size of the town there are never likely to be.

On behalf of the CLC I seek your consent pursuant to sub-section 27(3) to various transactions which are necessary to advance the project. The particular transactions are described under the headings below.

Acquisition of premises to house the CLC administration

The CLC is aware of legal advice provided to ATSIC and its predecessor the Department of Aboriginal Affairs on the question of whether a Land Council can acquire office premises for administrative purposes. The issue arises over an interpretation of the term 'administrative costs' in Sections 34 and 64 of the *Aboriginal Land Rights (Northern Territory) Act 1976*. The extremely narrow interpretation adopted in those advices is not accepted by the CLC.

I point out that the main premises currently occupied by the CLC at 33 North Stuart Highway, Alice Springs, was acquired with funds allocated from (the then) ABTA pursuant to a Ministerial direction. The CLC has for many years owned a number of premises in Alice Springs and Tennant Creek, which are used solely for its administrative purposes. Both DAA and ATSIC are fully aware of this. "Land and buildings" appears as a significant item in the published accounts of the CLC which are incorporated into the Annual Report provided each year to yourself, and tabled in the Parliament.

The ownership of the land and buildings has drawn no comment from the CLC's auditors or from any other party over the 25 years of its existence. The CLC adopts the well-founded position that ownership of the premises it uses is an element of its administration, particularly in the context of Alice Springs.

Brief description of the proposed project

You may recall that when you visited the CLC on 22 May 2002, I pointed out to you premises diagonally across the road from the present CLC office, which would provide a suitable space to develop a new CLC office complex. The area I pointed out was Lot 7409 Town of Alice Springs. That property was put up for sale by tender and subsequently purchased by Centrecorp Aboriginal Investment Corporation Pty Ltd for \$1,300,000.

Centrecorp has acquired the property on behalf of a unit trust in which Aboriginal organisations and other entities can acquire equity. The property was acquired with the intention that Centrecorp will re-develop the site with a purpose-built facility for the CLC. This will enable the CLC to house all of its Alice Springs operations at the one location in a properly planned, purpose-built facility.

The re-development of the site will be funded by a combination of equity, bank loan, and short-term loan from the construction company. The latter is referred to as the 'mezzanine debt' and will be retired over a three year period.

The CLC intends to lease the premises from Centrecorp at a fair market rental and to take equity in the trust through the application of the net proceeds of sale of the premises it currently owns, to acquire units in the trust. The unit trust structure permits the acquisition of units by the CLC. The extent of CLC equity in the property will result in a corresponding reduction in rent. In the event that CLC acquired all of the units, it is intended that CLC could call for transfer of the premises to it, in its own right. That event is unlikely.

Based on information supplied to Centrecorp by Sitzler Bros, a Northern Territory construction company and developer, the estimated cost of the project, is \$6,000,000 including the land cost. On estimates of the market value of CLC premises, its contribution to the project cost will be close to \$2,000,000. At this early stage, estimates are subject to a number of factors, including final site preparation and design. However, the estimate is based on known costs per square metre for office space in Alice Springs.

The particular transactions which will require your approval as Minister pursuant to sub-section 27(3)

There are three categories of transactions requiring Ministerial approval. These are --

- Lease of the premises from Centrecorp;
- Sale of the various premises currently owned by the CLC and occupied by its staff and equipment;
- Subscription of the net proceeds of the sale of CLC premises to acquire units in the trust which will own the building.

Lease of premises

The CLC intends to enter into an agreement with Centrecorp to take a commercial lease of the premises upon completion of the redevelopment. Your approval is requested to enter into both the agreement to lease and subsequently the formal lease agreement. The amount of the lease is not known with precision but would be in line with current rates of return for commercial premises in Alice Springs, adjusted downward to reflect the CLC's equity through the unit trust. The CLC estimates that

its rental liability would be in the region of \$350,000 per annum. However, the finalisation of the cost of the project will result in adjustment of the rent one way or the other.

Sale of CLC premises

An Assessment of Market Value of CLC owned properties was carried out by LJ Hooker in May 2000, and the properties were assessed in the range of \$1,895,000 to \$2,030,000. Natural increase in property value since that time would justify acceptance of the upper figure within the range.

CLC proposes to sell these properties, the sale will take place as soon as they are vacated, and will be on normal commercial terms. That will happen when once relocation of staff and operations to the new premises is completed. Obviously achieving the sales will take some time. The premises will be sold on the advice and through the agency of local real estate agency, LJ Hooker Real Estate. A tender process will be adopted to ensure the highest and best results.

Acquisition of units in the Unit Trust

As the proceeds of sale of CLC premises are received, they will be invested in units in the Unit Trust. As noted, the object is that the rent payable to Centrecorp will be reduced proportionately as the units are issued. The trust is structured so that no other financial benefits can be obtained by the CLC other than the rent reduction. The CLC proposes to subscribe the whole of the proceeds of sale to the acquire units in the trust.

I have not gone into depth as to the reasons for moving the CLC into a single, purpose built facility. There is no suitable facility in Alice Springs (*acknowledged in the 2001 Australian Valuation Office report commissioned by ABA*), and will not be one unless we do it ourselves. Significantly, the building design and site planning will incorporate a number of features to greatly improve the ability of the CLC to meet with client groups in an appropriate environment, to encourage client groups to attend at the premises and through that presence, assert greater 'ownership' of the institution and its processes. It will also provide secure but accessible storage for restricted cultural material.

In view of nature and complexity of some aspects of the proposed transactions I suggest it would be very useful for CLC officers and advisors to meet with nominated ATSIC staff, to go through the various steps and provide further documentation or information that they may require to compile an advice for your consideration.

I would be grateful for your early consideration of this matter.

Yours sincerely _____

David Ross
DIRECTOR

THE HON PHILIP RUDDOCK MP
Minister for Immigration and Multicultural and Indigenous Affairs
Minister Assisting the Prime Minister for Reconciliation

Parliament House
CANBERRA ACT 2600

MC 20020806

Mr David Ross
Director
Central Land Council
PO Box 3321
ALICES SPRINGS NT 0871

27 SEP 2002

Dear Mr Ross

Thank you for your letter of 29 August seeking my consent pursuant to section 27(3) of the Aboriginal Land Rights (Northern Territory) Act 1976 (the Act) to various transactions to establish new office premises for the Central Land Council in Alice Springs.

In your letter you indicate that the project will be funded by a combination of equity, bank loan, and short-term bank loan from the construction company. That is a significant change from the original proposal that was put to me which envisaged that the capital cost, some \$6 million, be funded by the Aboriginals Benefit Account.

I am pleased that the Council is now proposing to adopt a commercial strategy to raise the funds to construct the new premises. In my view that is a far more appropriate strategy than seeking funding from the Aboriginals Benefit Account. It signifies maturity on behalf of the Council in being prepared to enter into commercial relations to achieve its goals and to take responsibility for its decisions.

There is, as I am sure you will recognise, an element of significant risk in going down the path the Council has chosen. It is very important, therefore, that the Council has in place a risk management strategy at the outset so it can anticipate and cover any problems that arise over the course of establishing the premises. In developing that strategy, I ask that you take into account that the Aboriginals Benefit Account would not be available to meet any unforeseen debts that might arise. This I believe is consistent with the Council's decision to construct new premises and take responsibility for the outcome.

Accordingly, I wish to commend you for taking the initiative to establish the new office by commercial means and will be prepared to give my consent under section 27(3) of the Act at the appropriate time. Obviously it is premature for me to do so at this moment, without having the benefit of being able to examine the actual contracts that the Land Council proposes to enter into for its new premises.

Yours sincerely

Philip Ruddock

The Hon. Philip Ruddock MP

Minister for Immigration and Multicultural
and Indigenous Affairs

Minister Assisting the Prime Minister for Reconciliation



Parliament House, Canberra ACT 2600

- 3 MAR 2003

Mr David Ross
Chief Executive Officer
Central Land Council
PO Box 3321
ALICE SPRINGS NT 0871


Dear Mr Ross

When we met recently in Darwin you said that you would like to again put forward a case for purchase of a building to consolidate the operations of the Central Land Council in Alice Springs.

I would be pleased to discuss with you any new approaches that you have in mind. Perhaps you could prepare your proposal and we could meet to discuss it when I visit Alice Springs in May 2003, or earlier if you are visiting Sydney or Canberra in the near future.

Could you please contact Russell Patterson on 02 6277 7860 who will make the necessary arrangements.

Yours sincerely

Philip Ruddock



Central Land Council

33 Stuart Highway
Alice Springs
Northern Territory

P.O. Box 3321
Alice Springs
N.T. 0871

21 March 2003

Our ref: 2002/871

Hon Phillip Ruddock MP
Minister for Immigration and Multicultural and Indigenous Affairs.
Parliament House
CANBERRA ACT 2600

Dear Minister

The Central Land Council wrote to you on 29 August 2002 concerning a proposal to develop offices for the CLC in Alice Springs, on land that had been acquired for that purpose. Your response dated 27 September 2002 acknowledged the proposal and indicated that you would consider your consent to the various contracts the CLC will need to enter into once you were able to examine them.

Encouraged by your response in that letter and our recent conversation, the CLC and Centrecorp have continued planning the project.

The CLC noted your comments about putting in place a risk management strategy for problems that may arise in the establishment of the new premises. Centrecorp has engaged the services of MLCS Corporate to provide advice (Attachment 1). You will note that risk issues have been addressed in the preliminary analysis and in the conservative structure of the proposed financing of the project.

On the basis of the information provided below and in the attachments the CLC seeks your consent pursuant to Section 27(3) of the *Aboriginal Land Rights (Northern Territory) Act 1976* to the following contracts involving payment or receipt of sums in excess of \$100,000:

- 1 Grant of a first mortgage over various CLC properties each of which is 100% owned by the CLC to secure loans from the National Australia Bank totalling \$1,000,000;
- 2 Sale of each of the mortgaged properties at market price upon completion of the building at Lot 7409 Stuart Highway;
- 3 Application of the proceeds of the bank loan and net proceeds of sale to acquire equity in the project by acquiring 'D' Class units in the unit trust which is the beneficial owner of Lot 7409;

- 4 Lease of the premises at Lot 7409 from Centrecorp (as trustee) for a term of 10 years plus right of renewal for 2 x 10 year periods.

The transactions are interdependent which is why I am requesting your approval to them as a group.

Mortgage of CLC properties

The proposed financing of the construction of the building requires that the CLC contribute \$1,000,000 by way of equity in the project through subscription for units in the trust. This is to enable the construction to proceed. The CLC proposes to raise this sum by borrowing from the National Australia Bank against the security of a first mortgage over the following properties:

- 33 North Stuart Highway – Lot 444 Town of Alice Springs;
- 75 Hartley Street – Lot 174 Town of Alice Springs;
- 71-73 Bath Street – Lot 7433 Town of Alice Springs;

Section 33 of the Land Rights Act requires that the Treasurer's approval is required for borrowing by a Land Council. A copy of the CLC's letter to the Treasurer is attached.

The CLC banks with the National Australia Bank, Alice Springs. The bank has agreed to lend the stated sum to the CLC on an interest only basis, on the security of the above properties on the terms set out in the attached letter (Attachment 2), subject to confirmation of your approval. The important aspect of the offer from the bank is that the loans will be secured against the nominated properties alone, without further recourse to the CLC in the (unlikely) future event that the security is insufficient to cover the full debt.

Debt servicing of the loans will be covered for the first 12 months by a facility provided by ATSIC (Attachment 3). It is anticipated that construction would be completed within 12 months of drawing on the loan.

Sale of CLC Properties

Once the premises at Lot 7409 are ready for occupation the CLC intends that the mortgaged properties be put up for sale. They will be listed for sale at market prices as advised by a real estate agent in Alice Springs. The suggested price ranges will be compared with an independent valuation assessment in order to confirm that the advised prices represent a fair market price in each case. Current estimates of the value of the premises are based on an appraisal by L J Hooker Pty Ltd, which was in line with an independent valuation.

Proceeds of Sale of CLC properties

The proceeds of sale, less loan repayments and costs of sale, will be subscribed for further 'D' Class units in the Central Australian Aboriginal Unit Trust. It is estimated that the net proceeds of sale after loan repayments will be in the order of \$500,000 and this would bring the CLC's total investment in the project to \$1.5 million.

The 'D' Class units will provide that the unit holder will not receive any income return, and for any return to the unit holder to be restricted to the capital invested. The CLC would not thereby receive a financial benefit.

A copy of the trust deed is enclosed (Attachment 4).

Lease

The lease will be on standard commercial terms.

The proposed net rent at commencement will be \$400,000 per annum, which as the attachment indicates is \$180 m² p.a. This figure recognises the equity that the CLC will have in the premises, while allowing Centrecorp as trustee, to service loan commitments and to provide a return to the 'A' Class preference units in the Trust.

Rental increases will be limited to 5% per annum or CPI, whichever is the greater.

The CLC can demonstrate the ability to meet the proposed rent through savings the project will bring about as follows:

▪ Current rent on Alice Springs premises (saved)	\$150,000
▪ Repairs & maintenance on current premises	\$100,000
▪ Rates, cleaning & ground maintenance, security	\$ 60,000
▪ Vehicle running costs arising from travel between offices (est)	\$ 10,000
▪ Productivity gains arising from centralising operations	<u>\$ 80,000</u>
	<i>Total</i> \$400,000

Therefore I do not anticipate that the payment of rent will have a negative impact on the CLC's budget.

As mentioned the term will be 10 years with a 10 plus 10 option. CLC to meet the following outgoings on the premises: council rates, insurance, water sewerage and electricity, security, building maintenance.

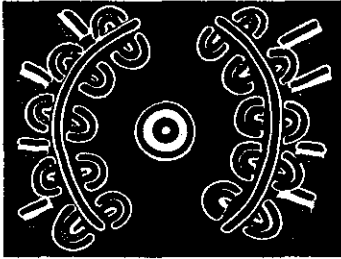
I appreciate that further information may be needed for you to finalise aspects of these decisions. If so, your staff should in the first instance contact the CLC's Corporate Services Manager, Pat D'Aranjo on (08) 89516294 and she will arrange for such information to be provided. I appreciate your offer to meet with me when in Alice Springs in May if not earlier and I look forward to a further opportunity to discuss this project with you.

Yours sincerely

David Ross
DIRECTOR

CC: Hon Peter Costello, Treasurer

Encl: Attachments 1 - 4;
Copy of letter from CLC to Treasurer



Central Land Council

33 Stuart Highway
Alice Springs
Northern Territory

P.O. Box 3321
Alice Springs
N.T. 0871

21 March 2003

Our ref: 2002/871

Hon Peter Costello MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Mr Costello

I am writing to seek your approval pursuant to Section 33 of the *Aboriginal Land Rights (Northern Territory) Act 1976* to proposed borrowing by the CLC.

Your approval is sought to borrow a sum not exceeding \$1,000,000 from the National Bank of Australia. The particulars of the proposed borrowing are set out in my letter to the Minister for Immigration and Multicultural and Indigenous Affairs of 21 March 2003 a copy of which is attached.

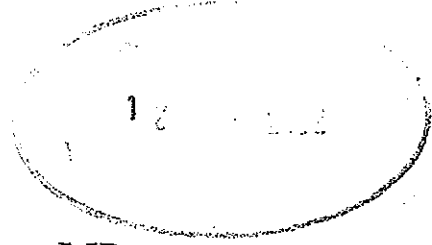
Also attached is a copy of the letter to the CLC from the Minister pursuant to Section 34 of the Land Rights Act approving estimates of expenditure for the current year. The amount the CLC seeks your approval to borrow does not exceed 10% of the total of the estimates of expenditure.

Yours sincerely,

David Ross
DIRECTOR

CC: Hon Phillip Ruddock MP

Encl: Copy of letter to Minister 21 March 03
Copy of letter to CLC from Minister re approved 2002/03 budget estimates



THE HON PHILIP RUDDOCK MP

*Minister for Immigration and Multicultural and Indigenous Affairs
Minister Assisting the Prime Minister for Reconciliation*

*Parliament House
CANBERRA ACT 2600*

Mr David Ross
Director
Central Land Council
PO Box 3321
ALICE SPRINGS NT 0871

4 JUL 2002

Dear Mr Ross

I am writing to you concerning the administrative estimates of income and expenditure of the Council for 2002/2003. I approve the estimates of expenditure of the Land Councils under Subsection 34(1) of the *Aboriginal Land Rights (Northern Territory) Act 1976* (the Act).

I have reviewed the Council's estimates bid for 2002/2003, and considered the independent evaluation of that bid by the consultant, KPMG, Chartered Accountants and the advice of the Aboriginal and Torres Strait Islander Commission. After doing so, I have now approved the full-year estimates of income and expenditure for 2002/2003 set out in the attachment to this letter.

You would note that my approval for 2002/2003 includes the additional \$1 million draw on the Aboriginals Benefit Account (ABA) that I had also approved for 2001/2002. As well, I have approved an amount of \$216,000 in addition to the approved draw on the ABA of \$8,284,000 in 2001/2002.

The total approved draw on the ABA for 2002/2003 is \$8,500,000, including the amount of \$216,000 that represents a "deflator" of 2.6% of the draw on the ABA approved for 2001/2002, to mitigate the impact of movements in the Consumer Price Index in 2002/2003.

I have noted the initial work undertaken by the Council in respect of the outputs and outcomes framework for the annual estimates of income and expenditure. I ask you to work with ATSIC over the course of 2002/2003 to make further progress in implementing an outputs/outcomes framework and in particular so that next year the Council presents its estimates on the basis of outputs achieved and anticipated, with performance indicators, to assist me with making a better judgement about funding requirements.

You would note that I have approved the estimates over the output groups, and I am particularly interested in the outputs the Council will be able to demonstrate for 2002/2003, in relation to the resolution of outstanding land claims.

Yours sincerely

Philip Ruddock

CENTRAL LAND COUNCIL

Approved Administrative Income and Expenditure 2002/2003

	<u>TOTAL</u>	<u>OUTPUT Advocacy</u>	<u>OUTPUT Land Rights</u>	<u>OUTPUT Land Management & Development</u>	<u>OUTPUT Governance</u>	<u>OUTPUT Mining</u>	<u>OUTPUT Management & Administration</u>
	\$	\$	\$	\$	\$	\$	\$
EXPENDITURE							
Salaries & on costs	5,580,000	0	0	0	0	0	5,580,000
Other Operating	<u>3,749,000</u>	<u>438,000</u>	<u>233,000</u>	<u>162,000</u>	<u>319,000</u>	<u>317,000</u>	<u>2,280,000</u>
Subtotal	9,329,000	438,000	233,000	162,000	319,000	317,000	7,860,000
Capital	<u>977,000</u>	0	0	0	0	0	<u>977,000</u>
Total Expenditure	10,306,000	438,000	233,000	162,000	319,000	317,000	8,837,000
INCOME							
ABA s.64(1) + s.64(7)	8,500,000						
Administration Fees	890,000						
Interest	55,000						
Proceeds from Asset Sales	189,000						
Recoveries	636,000						
Other	<u>36,000</u>						
Total Income	10,306,000						



THE HON PHILIP RUDD **PROCESSED**
Minister for Immigration and Multicultural and Indigenous Affairs
Minister Assisting the Prime Minister for Reconciliation

Parliament House
CANBERRA ACT 2600

MC 20030269

6-1 APR 2003

Mr David Ross
Director
Central Land Council
PO Box 3321
ALICE SPRINGS NT 0871

A handwritten signature in cursive script that reads "David".

Dear Mr Ross

Thank you for your letter of 21 March 2003 seeking my consent, under section 27(3) of the *Aboriginal Land Rights (Northern Territory) Act 1976* (the Land Rights Act), for the Central Land Council to enter into a number of contracts to develop new offices in Alice Springs.

As I indicated to you in my letter of 27 September 2002, I am pleased to see the Council adopt a more commercial approach to developing its new office accommodation than it has done previously, and to address the issue of managing risks in the financing package the Council has proposed.

I also appreciate the financial and legal complexities that accompany the Council's proposal and, at the ultimate paragraph of your letter, I note your acknowledgement that further information may be required before I can make a decision under section 27(3) of the Land Rights Act.

I have agreed that the office of the Aboriginal and Torres Strait Islander Commission's (ATSIC) Native Title and Land Rights Branch in Darwin embark on an evaluation of the Council's proposal, that will include confirmation of financial assistance from ATSIC's Business Development Program, the provision of legal advice to determine if there are any legal impediments to my approval under section 27(3) and the completion of a due diligence review to establish the viability and probity of the proposal by an appropriately qualified consultant.

I have also requested that the evaluation be completed by ATSIC officers as a matter of urgency. Once I have it, in the coming weeks, I will want to make a

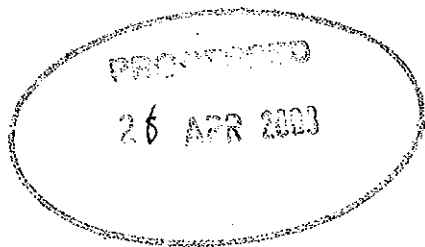
decision as quickly as possible to assist the Council in this project. If you have any concerns about the progress of the evaluation, I ask that you contact ATSI's Mr Mike Lane in Darwin on 08-89445550.

Thank you for writing to me on this matter and I expect to write to you again shortly.

Yours sincerely _____

Philip Ruddock

*Subject to its starting up Tom will
desposed to help
Ruddock*



Avery
COPY

TREASURER
PARLIAMENT HOUSE
CANBERRA ACT 2600

www.treasurer.gov.au

17 APR 2003

Mr David Ross
Director
Central Land Council
PO Box 332
ALICE SPRINGS NT 0871

Dear Mr Ross

Thank you for your letter of 21 March 2003 concerning your request for approval pursuant to Section 33 of the *Aboriginal Land Rights (Northern Territory) Act 1976 (ALRA)* to proposed borrowing by the Central Land Council.

As indicated in your letter, you have also sought consent from the Minister for Immigration, Multicultural and Indigenous Affairs, the Hon Philip Ruddock MP, pursuant to Section 27(3) of the ALRA. I understand Minister Ruddock is currently assessing your proposal and I await the outcome of that process prior to making a determination on this matter.

I trust this information will be of assistance to you.

Yours sincerely

PETER COSTELLO

cc: Hon Phillip Ruddock MP

Mr Brian Stacey
Group Manager
Land and Development Group
ATSIS
PO Box 17
Woden ACT 2606

Dear Brian

Central Land Council
Administration Centre – Building Proposal

Executive Summary

The Central Land Council [CLC] is a statutory authority the *Aboriginal Land Rights (Northern Territory) Act 1976* and a Native Title Representative Body [NTRB] under the *Native Title Act 1993*.

The Federal government, CLC constituents and the wider community expect the CLC to provide services in a cost effective and efficient framework. By definition operating from 6 separate addresses negatively impacts the service delivery model. The currently occupied building infrastructure is decrepit and requires increasing expenditure each year to sustain.

The CLC today is a leader in the way forward for Aboriginal people. The CLC has a public record of engagement in progressive corporate governance and management. The community demands and the Council members agree that the CLC needs to continue to change and evolve.

The CLC respectfully requests that the Minister approve the construction of purpose built premises, as recommended by the Australian Valuation Office, in Alice Springs.

The Minister's support would provide the CLC with premises designed to provide infrastructure to facilitate a positive future with the objective of exemplary service delivery.

This proposal recommends a project financing model which provides for an equity contribution from the Aboriginal Benefits Account [ABA] with a payback period of 6 years, in lieu of annual [effectively perpetual] annual draws via the administration budget for lease rental.

Executive Summary - continued

Minister's approval is requested to

- ❖ Proceed with the new building project in association with Native Title and Land Rights Branch ABA office, Darwin
 - ❖ Apply, before 30th June 2004, the refund of NT taxes [cash in hand] to the immediate purchase of Lot 7409 Stuart Highway (North).
 - ❖ List for sale the Stuart Hwy, Hartley St and Bath St premises currently owned by the CLC and occupied by its staff and equipment.
 - Vacant possession to be deferred pending construction completion.
 - ❖ Apply the proceeds of sale of the Stuart Hwy, Hartley St and Bath St premises to new building equity and fit-out.
 - ❖ Establish a mortgage with National Australia Bank on 33 Stuart Hwy –
 - drawdown to be deferred based upon construction completion.
 - NIL drawdown if the property is sold and settled before construction completion.
 - ❖ Acquit the mortgage, if drawn-down; with NAB on 33 Stuart Hwy with disposal proceeds.
-

Minister to authorise an Aboriginals Benefit Account (ABA) disbursement under subsection 64(4) of \$3,000,000 to provide for CLC equity in the construction of new premise for the CLC at Lot 7409 Stuart Hwy, Alice Springs.

-----|||-----

CLC Administration Centre - Building Proposal

Background

The Central Land Council is seeking new office premises in Alice Springs in order to co-locate its Alice Springs operations on the one site. The CLC staff numbers have now expanded beyond the capacity of its main premises in Alice Springs to 6 locations. The negative impact of this on the organisation is considerable. The CLC's role as described in *Aboriginal Land Rights (Northern Territory) Act 1976* has steadily increased operations over the years. Additionally; the CLC's role as a Native Title Representative Body leverages significant organisation synergy albeit in a stressed physical infrastructure. Six disparate locations across the town is expensive and highly inefficient, an obstacle to the collaboration and cooperation required by the CLC staff.

The reasons for moving the CLC into a single, purpose built facility are virtually self-evident. There is no suitable facility in Alice Springs and there will not be one unless we do it ourselves. Significantly, the building design and site planning will incorporate a number of features to greatly improve the ability of the CLC to meet with client groups in an appropriate environment, to encourage client groups to attend at the premises and through that presence, assert greater 'ownership' of the institution and its processes. It will also provide secure but accessible storage for restricted cultural material and sensitive anthropological records, as recommended by the ANAO.

Concept due diligence

As you are aware, ABA has been considering an administration centre building proposal from the CLC. To assist in briefing the Minister, the ABA "...engaged the Australian Valuation Office [AVO] to provide an independent valuation and assessment of the CLC proposal..."

The ABA terms of reference for the AVO included "...independent valuations of land CLC wishes to purchase, and currently held properties to be sold. Additionally, comments on the availability of other commercial real estate in Alice Springs that may be suitable or any other options".

The CLC staff met with Rob Rixon [AVO] during the course of the review process and provided assistance to evaluate the CLC's operations and accommodation requirements. I have since received a copy of the AVO report which I have read with interest and which I consider a fair assessment of the CLC's current accommodation situation and needs.

The AVO report concludes:

- with respect to the Alice Springs office market, inter alia "*there is not any space considered to have the size and style of accommodation required by the CLC*"
- "...CLC do not currently own property that is suitable for re-development. "

- *“A purpose built complex would be able to achieve a more efficient use of accommodation; however this is more than offset by the current demand for more office space. In particular there is a high need for conference and meeting rooms, common staff facilities, library and archiving area. ”*

CLC rationale

Efficiencies and economies of scale are prevailing considerations on par with cohesiveness between the various CLC work units. Corporate cohesion is inherently difficult to achieve if staff are not in reasonable physical proximity to each other.

The CLC has published its Strategic Plan. The core tenet of this Plan is that staff adopt a more strategic and collaborative approach in meeting stated goals and objectives across work units and where appropriate, a linear approach to tasks. A major impediment to achieving this however is the continued separation of various CLC work units across Alice Springs.

The CLC provides services internally across work-groups and externally to a diverse constituent population, government agencies and private/public stakeholders. The CLC is unable to refute the assertion that service levels are negatively impacted by a sprawl of facilities and personnel across town.

The CLC can demonstrate easily identifiable cost efficiencies exceeding \$400,000 per annum as follows:

▪ Current rent on Alice Springs premises (saved)	\$150,000
▪ Repairs & maintenance on current premises	\$100,000
▪ Rates, cleaning & ground maintenance, security	\$ 60,000
▪ Inter-office travel – vehicle costs and lost time (est)	\$ 32,000
▪ Productivity gains arising from centralising operations	<u>\$116,000</u>
<i>Total</i>	\$458,000

Continuation of the current office arrangements embeds a negative operational paradigm coupled with a damaging cultural message generated by the community perception that the primary Aboriginal managed agency in Central Australia is a collection of disjointed facilities. The overall situation is highly unsatisfactory and in need of urgent visionary remedial action.

Building site selection

A number of sites were proposed in the AVO report as possible options. Our distinct preference was for Site No. 1 – Lot 7409 Stuart Highway (North).

This is the largest block and the most ideally situated. It is the only town site that offers the capacity [AVO recommendation] needed for an administration centre building, including conference/meeting rooms, common staff facilities, warehouse & storage accommodation and vehicle garaging, for approx' 100 staff in Alice Springs.

Other considerations in favour of this site are:

- Frontage – In addition to our major clients, well over 5,000 visitors came through our doors last year for information and permit requests. This number is growing rapidly each year with the increase in tourism to the region. Highway exposure

and client access are therefore extremely important considerations. This site is diagonally across the road from the existing CLC head office. It would be as visible and as readily accessible to clients as the current premises. Furthermore, there is abundant on-road parking available, far more than at our current premises.

- Access – The site has excellent access from the highway.
- Parking – The CLC operates 40+ vehicles out of Alice Springs; we also store a large truck and 4 trailers used for field trips (*these collectively take up the equivalent space of 10 troopies*). This is the only site that would have the capacity to accommodate this number of vehicles as well as offering space for staff parking.

Lot 7409 Stuart Highway (North), presently owned by Centrecorp Aboriginal Investment Corporation Pty Ltd, continues to be the single most appropriate site in Alice Springs.

Building design proposal.

The CLC has engaged architects, builders, quantity surveyors and project managers to provide design concepts, evaluation and budget project costing. All are leaders in the Northern Territory in their respective professions, with numerous successful projects which comprehend the scale and scope planned.

		<u>Recent Projects</u>
Architect	Sue Dugdale	General Hospital – Staff Accommodation
Builder	Sitzler Bros. Pty Ltd	Institute for Aboriginal Development
		Alice Springs Correctional Facility
		Alice Springs Convention Centre
Quantity Surveyor	Rider Hunt NT Pty Ltd	Lasseters Hotel & Casino,
		Alice Springs Convention Centre
Project Manager	Savant	Darwin Waterfront Precinct

A general description of the building plan is 2460 sq m which includes a 630 sq m upper floor which [conceptually] will accommodate in-house service departments. The AVO provided some guidance on design criteria which have all been included in the proposed building design.

The engineering, design, materials and infrastructure are conventional through-out and exclude any bleeding-edge components. The exterior walls are a combination of conventional main-stream materials depending on the aspect/climate/thermal considerations. The footprint on the proposed site, access, parking and overall design comply with all government and town planning considerations. An initial concept design has town planning approval. A site plan is attached for your reference.

Project costing

A summary of project budget costing based upon QS of the concept design follows:-

Design and construct building	\$4,650,000
Land acquisition	1,500,000
Contingency	<u>250,000</u>
Total	\$6,400,000

The design and construct building budget cost includes:

- Not a fixed price. The building industry in the Northern Territory is experiencing buoyant conditions in an escalating cost environment. Prices will be fixed when contracts are executed.
- All professional fees.
- Material and construction allowances costed according to conservative QS standards.
- Excludes fit-out

Sale of the CLC current owned properties

The CLC intends that the following currently owned properties will be listed for sale, on normal commercial terms with settlement and vacant possession timed to match construction completion and occupancy of the new premises.

<u>Location</u>	<u>March 2004 Independent Valuation</u>
• 33 North Stuart Highway – Lot 444 Town of Alice Springs;	\$1,150,000
• 75 Hartley Street – Lot 174 Town of Alice Springs;	380,000
• 71-73 Bath Street – Lot 7433 Town of Alice Springs;	<u>380,000</u>
Total	\$1,910,000

The current independent valuation of the premises is based on an appraisal dated March 2004 by an Alice Springs located Certified Practising Valuer, TG Weeks.

The properties will be listed for sale on the advice and through the agency of local real estate agency, LJ Hooker Real Estate. A tender process will be adopted to ensure the highest and best results. The current independent valuation will confirm that the listed prices represent a fair market price in each case.

Equity partners

Alternatives to financing the project utilising significant secured external term debt and issuing external unit holdings have been reviewed.

External equity partners necessarily require payback i.e. lease rental arrangements. The local market requires an initial 10 year lease term. The CLC has been operating for 30 years.

Based upon an external equity contribution of \$4.7M indicative lease rentals are, first year, \$400,000, increasing at 5% per annum or CPI, whichever is greater. The rental contains a premium for the absence of suitable alternate tenants in addition to the future uncertainty risk.

CLC lease rental cash outflow commits a budget cash allocation from ABA in future uncertain years. To whatever extent the CLC is able to contribute equity in the project, external lease rentals are minimised.

To whatever extent the CLC equity can be applied to exclude the exigencies of the landlord/tenant relationship and the landlord's profit making ambitions, will present immediate and ever-lasting qualitative dividends. The realities of the regional economy prejudice the arms-length relationships necessary if equity partners are engaged.

Project finance

A summary of project financing follows:-

Design and construct building	\$4,650,000
Land acquisition	1,500,000
Contingency	<u>250,000</u>
Total	<u>\$6,400,000</u>

CLC equity ex disposal current owned L&B	\$1,500,000
CLC equity ex ABA	3,000,000
CLC equity ex NT Tax Refund	1,450,000
CLC 2003/04 Revenue and Expenditure cash surplus	<u>450,000</u>
Total	<u>\$6,400,000</u>

Application of Proceeds of Sale of the CLC properties

Gross proceeds	<u>\$1,910,000</u>
Utilised as	
CLC new building equity	\$1,500,000
Sales promotion plus commissions [say] 5%	95,000
Quantity Surveyor	18,000
Project Management	77,000
Building fit-out	<u>220,000</u>
Total applied	<u>\$1,910,000</u>

Bridging finance

A significant risk to the cash-flow is the timing of the sale of 33 Stuart Hwy property. The characteristics and age of the property could extend the sale period.

The CLC banks with the National Australia Bank, Alice Springs. The bank has previously expressed interest in providing a loan on an interest only basis, on the security of the property. The extent of the mortgage in relation to the independent

valuation requires revisiting. The bank's previous offer needs to be updated and adjusted for current commercial terms.

ATSIS Building Development Program

Previously ATSIC has offered to provide assistance, for the first 12 months, with interest on a loan facility associated with the new building project. Based upon current realignments of ATSIS business the undertaking needs to be revisited.

Based upon the integration of the NTRB ATSIS funded operation with the CLC ABA funded operations and the leverage occasioned by utilisation of existing infrastructure consideration could be given to a one-off Grant from ATSIS recognising the real cost of occupancy.

Payback

Projected lease rental and savings					
			Thousands		
Based on CLC Equity content of \$1.5M					
	Projected			Projected	
	Lease rent	Cumulative		Savings	Cumulative
Annual increment	5.00%		CPI	3.00%	
Year 1	400	400		458	458
Year 2	420	820		472	930
Year 3	441	1,261		486	1,416
Year 4	463	1,724		501	1,917
Year 5	486	2,210		516	2,433
Year 6	510	2,720		531	2,964
Year 7	536	3,256	100% recovery	547	3,511
Year 8	563	3,819		563	4,074
Year 9	591	4,410		580	4,654
Year 10	621	5,031		597	5,251
Total	5,031			5,251	

Notes – in the above payback model the certainty is that a commercial arrangement would require the rental payment and the escalation condition of a minimum 5% per annum. Associated with future uncertainty the landlord would require significant exit penalties.

The CLC is confident that the projected savings are conservative. However; if they are not achieved the time-frame for payback simply extends. Provided the CLC or a similar organisation continues the certainty is that payback will occur and the Aboriginal constituents will have an accreting asset [from the turn of the first sod] for the next generation, as opposed to essentially current consumption via cash out-goings to a disaffected investor.

Conclusion

The CLC has engaged with Government representatives and delegations over many years which have had a stated purpose of reviewing and providing recommendations on the efficiency and productivity of the CLC operations. The focus has been on business process and governance procedure. The CLC has pro-actively participated in implementation of a myriad of recommendations.

The physical environment in which we do business day-to-day and its inherent negative implications have not been previously addressed.

I commend this project as a generational opportunity to provide the CLC with the premises to surge to a new service level for all stakeholders.

Please call if we can provide further assurance or information.

Yours sincerely

DAVID ROSS
Director
7 June 2004

February 3, 2005

Mr. R Kennedy
Secretary
Centrecorp Aboriginal Investment Corporation Pty Ltd ("Centrecorp")
As trustee of Central Australian Aboriginal Unit
PO Box 2429
Alice Springs NT 0871

Dear Sir,

Offer to purchase – Lot 7409 Stuart Highway [including improvements]

Earlier today we met and discussed a Central Land Council offer to purchase the land described as Lot 7409 Stuart Highway, Alice Springs for the sum One million two hundred and fifty thousand dollars. Subsequently the offer was rejected as inadequate.

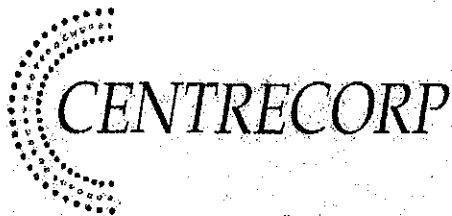
Further to our discussion please be advised that, after consideration, the Central Land Council offer to purchase the land described as Lot 7409 Stuart Highway, Alice Springs has been increased to One million three hundred thousand dollars.

This offer expires at 10-00AM, Friday 18th February 2005.

Yours sincerely,

Bruce Nystrom
General Manager
Central Land Council

cc: D Ross - Director



ABORIGINAL INVESTMENT
CORPORATION PTY LTD

25th February 2005

Bruce Nystrom
General Manager
Central Land Council
33 Stuart Highway
ALICE SPRINGS NT 0870

Dear Mr. Nystrom,

Re: Offer to purchase – Lot 7409, Stuart Highway.

We refer to previous correspondence regarding CLC's offer to purchase Lot 7409.

The Directors of Centrecorp have considered the sale of the property, taking account of relevant matters.

The property was purchased in June 2002 for \$1,200,000 plus stamp duty and transaction costs.

Since that time industrial land in Alice Springs has significantly increased in value. The most recent comparative sale on the Stuart Highway is Lot 9139 of 3,530 square metres for \$1,202,000. It is vacant land.

The subject property is 8,930 square metres and has improvements thereon.

Based on our investigations, an open market asking price of \$1,460,000 would be reasonable.

However, in view of the saving in Agent's commission and to avoid further holding costs, Centrecorp is prepared to sell the property to Central Land Council for \$1,425,000 with settlement on or before 31st March 2005.

Yours faithfully,

R.W. Kennedy
General Manager

David Avery

From: LANE,Michael
Sent: Friday, 18 March 2005 5:22 PM
To: Bruce Nystrom
Subject: FW: Alice Springs
Attachments: 938884 010 7409 Alice Spring FPM.doc

Bruce,

We shall discuss next move early next week.

Mike Lane

-----Original Message-----

From: STACEY,Brian
Sent: Friday, March 18, 2005 3:34 PM
To: LANE,Michael
Subject: FW: Alice Springs

-----Original Message-----

From: Fred Marrone
Sent: Friday, March 18, 2005 9:01 AM
To: STACEY,Brian
Subject: Alice Springs

G`morning Brian,

As discussed my letter is attached with the original by mail

Cheers

<<938884 010 7409 Alice Spring FPM.doc>>

Fred Marrone
Managing Valuer
Darwin Office

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Darwin Region
3rd Floor, AANT Building
81 Smith Street, Darwin NT 0800
GPO Box 4346, Darwin NT 0801

18 March 2005

Brian Stacey
State Manager
Office of Indigenous Policy Coordination
PO Box 40670
CASUARINA NT 0811

RE : REVIEW OF VALUATION OF
LOT (27) STUART HIGHWAY, ALICE SPRING
OUR REFERENCE : 938884

Following your request, this office has now reviewed our previous valuation dated 11 January 2005 over the above property. Sales evidence relied upon to set both the value of the land component and that of the improvements, has also been reviewed in light of the valuation prepared by Colliers International.

The break up of our valuation was	Land	\$1,050,000
	Impts	\$ 250,000
	Total	\$1,300,000

Colliers Valuation	Land	\$1,100,000
	Impts	250,000
	Total	\$1,350,000

It is the opinion of this office that the difference between the two valuations is quite minimal, and therefore recommend that our valuation of \$1,300,000 stand.

However a valuation range to \$1,350,000 for the subject property would be considered reasonable.

The purchaser in addition to the sale price of the property, also incurs the acquisition costs, which principally includes stamp duty, conveyance fees and in some complex property cases, a valuation fee is also added. The first two items have been estimated to costs between \$71,000 to \$72,000.

These items are not relevant to the valuation process, but do form part of the total costs to the purchaser, namely the sale price plus the acquisition costs. From the above valuation ranges and the acquisition costs, deduces a total costs ranging from \$1,371,000 to \$1.421,000.

Therefore \$1,425,000 although slightly high is still considered reasonable.

For your information, the add on items detailed in Centrecorp's letter to the Central Land Council, dated 12 March 2005, namely stamp duty, bank interest, legal, insurance, borrowing costs, audit and valuations are not considered relevant in the valuation process.

If you require further information please phone me on 8982 5708, or e-mail me at fred.marrone@avo.gov.au

Fred Marrone
MANAGING VALUER