



ABORIGINAL INVESTMENT
CORPORATION PTY LTD

18th June 2009

Christine McDonald
Secretary
Standing Committee on Finance and Public Administration
P O Box 6100
Parliament House
CANBERRA ACT 2600

Dear Ms.McDonald,

Re: Inquiry into the relationship between the Central Land Council and Centrecorp Aboriginal Investment Corporation Pty Ltd

I refer to your letter dated 22 May 2009.

I enclose a submission addressing the Terms of Reference of the above Inquiry together with copies of the booklet "Centrecorp, Building for the Future" referred to in the submission.

Yours sincerely,

A handwritten signature in dark ink, consisting of a large, stylized 'D' and 'R' intertwined, with a horizontal line underneath.

D.M.Ross
Chairman

SENATE FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Inquiry into the relationship between the Central Land Council and Centrecorp Aboriginal Investment Corporation Pty Ltd ('Centrecorp')

Responses to Terms of Reference

a) the relationship between the Central Land Council and Centrecorp,

Central Land Council holds three of five issued shares of the trustee company Centrecorp. Each share has a nominal value of \$1.00.

As stated in the "Performance Audit of Centrecorp Aboriginal Investment Corporation Pty Ltd, Office of Evaluation and Audit (Indigenous Programs) November 2008"

"Centrecorp does not employ any staff, does not undertake any financial transactions and does not produce any financial statements."

Centrecorp is Trustee of Central Australian Aboriginal Charitable Trust (CAACT) and Central Aboriginal Charitable Trust (CACT). The Trust Deeds for CAACT and CACT state:

"Notwithstanding anything declared or implied in the Deed of Trust:

- (a) The Trust Fund and the income thereof shall henceforth be possessed and enjoyed to the entire exclusion of every member of the excluded class and any benefit to any member of that class whether by contract or otherwise;*
- (b) No part of the capital or income of the Trust Fund shall be paid or lent to or applied whether by way of remuneration or otherwise howsoever for the benefit either directly or indirectly of any member of the excluded class in any manner or any circumstance whatsoever;*
- (c) No power conferred upon the Trustee by this Deed or by virtue of anything done pursuant to this Deed or by law shall be capable of being exercised and no provision herein contained shall operate in such manner that any member of the excluded class will or may become entitled directly or indirectly to any benefit in any manner or circumstances whatsoever.*

In this Additional Provision the "excluded class" means and includes:

- (a) the Organisations;
- (b) the Shareholders;
- (c) any notional shareholder of the trustee;
- (d) any person claiming under or in right of the Organisations or the Shareholders or of any notional shareholder of The Trustee;"

The Trust Deeds provide for indemnity of the Trustee in the carrying out of its powers where those powers incur risk.

For example, the Trust Deed of CAACT provides;

"The Trustee shall not be under any liability in respect of any loss of capital or income of the Trust Fund arising out of the carrying on of any business...."

The Trust Deed of CACT provides;

"The Trustee, if acting in good faith shall be entitled to be indemnified out of the Trust Fund in respect of all liabilities incurred relating to the execution or attempted execution of any powers, duties, authorities or discretions vested in the Trustee under the provisions of this Deed and in respect of all actions proceedings costs claims and demands relating to any matter or thing done or omitted to be done concerning the Trust Fund."

It follows that neither the Trustee, nor any shareholder of the Trustee may obtain benefit from the Trust(s) nor incur any liability in performing their duties as Trustee. In other words, Centrecorp's shareholders, including the Central Land Council, can never be paid any capital or income from either CAACT and CACT by way of remuneration or otherwise either directly or indirectly under any circumstances.

The Central Land Council has never sought, nor received benefit from the Charitable Trusts or any related entity.

(b)(i) The financial and management relationship between the Central Land Council and Centrecorp, including (without limitation) any equitable relationship between those entities,

The financial relationship between Central Land Council and Centrecorp exists only in the very limited sense of Central Land Council's shareholding in Centrecorp (refer (a) above).

There is no management relationship between Central Land Council and Centrecorp.

There is no equitable relationship between Central Land Council and Centrecorp.

The activities of Centrecorp as trustee of CAACT and CACT are entirely autonomous.

The Constitution of Centrecorp does not provide for any relationship between the number of shares held and any concomitant right to appoint directors.

(b)(ii) Whether taxpayer's funds have been paid or transferred to Centrecorp and how those monies have been treated in the accounts of the Central Land Council and Centrecorp,

Between 1986 and 1998 the Australian Government provided assistance to CAACT and CACT through various Government grant and loan programs, as fully detailed in table 2.1 in the Office of Evaluation and Audit Report.

Summary of Australian Government Benefits provided to Centrecorp

Year	Type of Benefit	Source of Benefit	Entity receiving benefit	Purpose	Amount
1990	Loan	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	800,000
1991	Loan	ATSIC	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	190,000
1991	Grant	ATSIC	CAIC as trustee of CACT	Consultant fees associated with purchase of shares in Peter Kittle Motor Company	160,000
1992	Grant	ABTA	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	310,000
1994	Grant	ATSIC	CAIC as trustee of CACT	Consultant fees associated with purchase of shares in Peter Kittle Motor Company	30,000
1995	Grant	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	200,000
1997	Grant	ATSIC	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	800,000
1998	Loan	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	3,799,508 ¹
2005	Share transfer	IBA	Yeperenye Nominees Pty Ltd	Transfer of shares in Yeperenye Pty Ltd (valued at \$32,688,005)	19,612,803 ²
TOTAL AUSTRALIAN GOVERNMENT BENEFITS					\$25,102,311³

Notes:

1 - This loan also repaid the balance outstanding on the original \$800,000 loan. The ATSIC loan was fully repaid by October 2007.

2 - Centrecorp own 60% of Yeperenye Nominees Pty Ltd. Therefore the Australian Government benefit attributable to Centrecorp is 60% of the Yeperenye Pty Ltd shares value at the date of transfer.

3 - This figure does not include the 1990 loan of \$800,000 as this loan was repaid by the 1998 loan.

This support assisted towards the acquisition of two investments viz; units in Kings Canyon (Watarrka) Resort Trust and CAAMV Unit Trust, both investments being partnered with the then Aboriginal and Torres Strait Islander Commercial Development Corporation, now Indigenous Business Australia(IBA).

In the accounts of CAACT and CACT the funds are capitalised as part of the asset cost in the respective balance sheets.

In 2005 ATSIC held shares in Yeperenye Pty Ltd. Upon the cessation of ATSIC the shares were acquired by IBA and subsequently divested to Yeperenye Nominees Pty Ltd as trustee of Yeperenye Charitable Trust. As part of the divestment structure by IBA, CAACT was the recipient of 60% of the shares in the Trustee, Yeperenye Nominees Pty Ltd. The asset value of this shareholding for CAACT is \$60. The divestment structure included a Shareholder Agreement which negates control normally commensurate with a majority shareholding.

The Office of Evaluation and Audit Report notes at para. 16 of the Executive Summary

“Review of the direct benefits provided in respect of Kings Canyon Resort, Yeperenye Nominees and Peter Kittle Motor Company investments did not identify any instances where Australian Government funding was used for purposes other than those specified in the relevant funding agreement.”

In April 2005 the Central Land Council purchased Lot 7409 (27) Stuart Highway, Alice Springs from Central Australian Aboriginal Property Nominees Pty Ltd (CAAPN), a Centrecorp related entity, for the sum of \$1,380,000. The property has since been developed by the Central Land Council as its administration centre. CAAPN acquired the property in June 2002 and submitted development proposals to the Central Land Council on an arm’s length commercial basis. The Central Land Council advised of these proposals in complete detail to the Hon. Peter Costello, the Hon. Philip Ruddock and Senator Amanda Vanstone. Minister Vanstone’s decision was a solution involving the acquisition and development of the property by Central Land Council, thus leading to the aforementioned transaction.

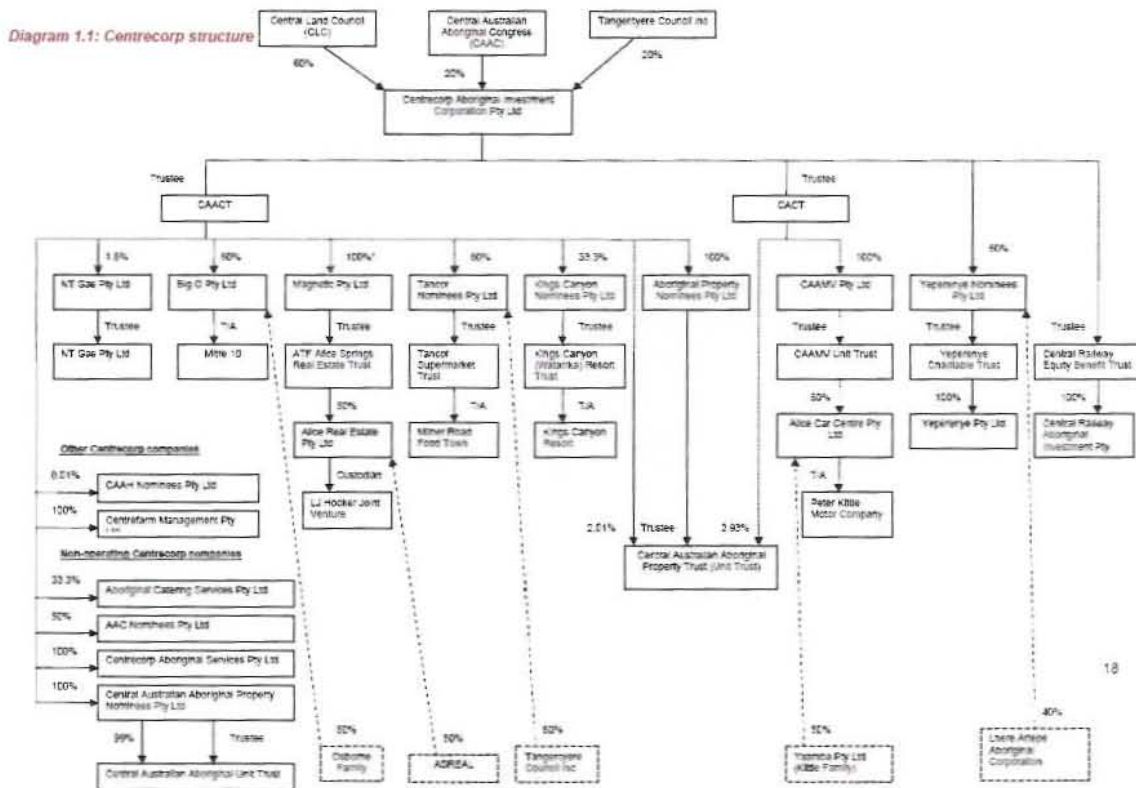
There have been no other funds paid or transferred to Centrecorp by Central Land Council.

The Office of Evaluation and Audit Report notes at para 3.19

“Review of these [CAACT and CACT] financial statements indicated that the financial statements have been subject to external audit by the accounting firm, Deloitte Touche Tohmatsu and have received unqualified audit opinions in all instances.”

(b)(iii) The nature and extent of Centrecorp’s business activities,

“Diagram 1.1 Centrecorp Structure” of the Office of Evaluation and Audit Report, a copy of which is attached details the structure and extent of the business interests of CAACT and CACT in their entirety. There is one correction to the diagram; the shareholding in Yeperenye Nominees Pty Ltd is held by CAACT.



To the extent that information is either publicly available or to meet reporting requirements of the Australian Government assistance, full disclosure has been made. This is available in the Office of Evaluation and Audit Report – November 2008 pages 17 to 19 which state;

Centrecorp Investments:

- *NT Gas Pty Ltd – Centrecorp owns 1.5% interest. NT Gas Pty Ltd operate and manage over 2000 kilometres of high-pressure natural gas pipelines and facilities in the NT.*
- *Big O Pty Ltd – Centrecorp owns 50% interest. Big O Pty Ltd is a hardware retailer in Alice Springs and trades as Mitre 10. This venture was financed via a loan from the CACT.*

- *Magnetic Pty Ltd – is a corporation established by Centrecorp to acquire the LJ Hooker real estate franchise in Alice Springs in 1997. This venture was financed via a commercial loan. In 2001 Magnetic partnered with another real estate agent (Asreal) to form the LJ Hooker Joint venture. Centrecorp (through Magnetic) and Asreal Pty Ltd each own 50% of the Alice Springs LJ Hooker franchise. This business has approximately 40% of the real estate business in Alice Springs. Magnetic is listed in the diagram as being 100% owned by Centrecorp. However, Centrecorp hold two shares (66.7%) and Bob Kennedy (Centrecorp General Manager) holds one share (33.3%) in Magnetic as bare trustee for Centrecorp because the Memorandum and Articles of Association of Magnetic Pty Ltd require two shareholders. Bob Kennedy receives no benefit (monetary or otherwise) from holding this share.*

- *Tancor Nominees Pty Ltd – Centrecorp own 50% interest. Tangentyere own the remaining 50% of Tancor Nominees Pty Ltd. Tancor Nominees Pty Ltd is trustee of the Tancor Supermarket Trust which trades as Milner Road Foodtown. Milner Road Foodtown is a small supermarket located in Alice Springs. Centrecorp acquired their 50% share in 1997 financed with a commercial loan.*

- *Kings Canyon Nominees Pty Ltd – Centrecorp owns 33.3% interest. The Corporation is trustee for the Kings Canyon (Watarrka) Resort Trust which trades as Kings Canyon Resort. Kings Canyon Resort is a luxury resort located at Kings Canyon (325km south-west of Alice Springs). The trust is a unit trust with the unit holders being Centrecorp(32.67%), Voyages Hotel and Resort (46.04%), Indigenous Business Australia (IBA – 17.23%), Ngurratjuta/Pmara Ntjarra Aboriginal Corporation (2.91%) and Sitzler Bros Darwin) Pty Ltd (1.15%). Centrecorp obtained funding for this venture via loans and a grant from ATSIC. The loan from ATSIC was repaid in 2007.*

- *Aboriginal Property Nominees Pty Ltd – is a wholly owned Centrecorp corporation as trustee for the Central Australian Aboriginal Property Trust. This trust is a unit trust established to pool smaller investment capital from various Indigenous corporations (including royalty associations) to purchase commercial property. Centrecorp also own 4.94% of the units in the trust through the CAACT (2.01%) and CACT (2.93%).*

- *CAAMV Pty Ltd – is a wholly owned Centrecorp corporation which is trustee of the CAAMV Unit Trust. The unit trust holds 50% of Alice Car Centre Pty Ltd which trades as Peter Kittle Motor Company. Peter Kittle Motors is the largest Motor Vehicle Dealer in the NT and has dealerships in Alice Springs, Adelaide, Tennant Creek, Port Lincoln and Whyalla. Centrecorp obtained funding for this venture through a combination of loans and grants from ATSIC and the Aboriginals Benefit Trust Account (ABTA) – now known as the Aboriginals Benefit Account (ABA).*

- *Yeperenye Nominees Pty Ltd – Centrecorp owns 60% interest. Yeperenye Nominees Pty Ltd (Yeperenye Nominees) is trustee for the Yeperenye Charitable Trust, owner of Yeperenye Pty Ltd. Yeperenye Pty Ltd owns the Yeperenye Shopping Centre, the largest shopping centre in Alice Springs as well as various other commercial properties. The shares in Yeperenye Nominees were transferred to Centrecorp and Lhere Artepe Aboriginal Corporation by IBA on 29 June 2005 as a result of a direction from the ATSIC Board prior to its abolition. The remaining 40% is owned by Lhere Artepe Aboriginal Corporation which is an organisation representing the traditional owners of the Alice Springs region.*
- *Central Railway Equity Benefit Trust – and the associated company is an investment held in Alice Springs/Darwin railway operating company, on trust by Centrecorp for the traditional owners. Centrecorp receive no benefit from holding this investment and is in the process of restructuring ownership to transfer the asset to appropriate Aboriginal bodies identified by the CLC.*
- *CAAH Nominees Pty Ltd – is the trustee of a charitable trust associated with the CAAC. Centrecorp hold one share (0.01%) in CAAH Nominees Pty Ltd.*
- *Centrefarm Management Pty Ltd – is a wholly owned Centrecorp corporation established to provide corporate and management services to horticulture projects on Aboriginal land.”*

(b)(iv)

Centrecorp’s sources of revenue,

“Table 3.1 Dividend payments of relevant Centrecorp businesses” of the Office of Evaluation and Audit Report details the income received from businesses where Australian Government financial assistance towards the cost of the investment was received.

Table 3.1: Financial performance and dividend payments of relevant Centrecorp businesses

Year	Kings Canyon Resort Trust Net profit/(loss)	Dividend received by Centrecorp (CAACT)	Yeperenye Pty Ltd Net profit/(loss)	Dividend received by Centrecorp	Alice Car Centre Pty Ltd Net profit/(loss)	Dividend received by Centrecorp (CACT)
2006-07	1,031,885	-	1,006,707	-	1,770,073	358,954
2005-06	(2,978,059)	-	1,598,389	-	1,535,837	194,183
2004-05	397,026	156,981	2,990,853 ¹	-	1,531,266	237,743
2003-04	1,817,311	294,035	(247,191)	-	1,370,918	136,260
2002-03	(160,325)	163,353	749,139	-	1,162,198	327,748
2001-02	2,299,513	506,393	673,454	-	873,792	786,623

Notes:

1 – Due to a change in accounting policy relating to building depreciation in 2004-05, Yeperenye Pty Ltd experienced a one-off increase of approximately \$1.3m to their net profit.

As noted at para 3.1 of the Report:

“The financial performance and position of businesses that have benefited from Australian Government support [sic] is commercial in confidence information”

“Table 3.3 Income and financial performance of CAACT and CACT” of the Report details the total income and net profit/loss for CAACT and CACT.

Table 3.3: Income and financial performance of CAACT and CACT

Year	CAACT Total income	CAACT Net profit/(loss)	CACT Total income	CACT Net profit/(loss)
2006-07	574,370	84,831	565,377	422,127
2005-06	506,471	(1,018,994)	356,500	339,650
2004-05	801,968	317,793	396,520	382,655
2003-04	876,115	673,193	216,891	205,770
2002-03	517,895	154,149	488,747	452,427
2001-02	1,030,869	663,855	1,146,159	1,126,236

The difference between the “Dividend payments” of table 3.1 and “Total income” of table 3.3 represents revenue from investments purchased with CAACT and CACT private funds and commercial activity, which private revenue detail the Committee will immediately appreciate cannot obviously be the subject of any of its enquiries.

(b)(v)

The beneficiaries of Centrecorp business and other activities and any additional revenue it receives,

The Charitable Trusts receive requests from, and make donations to, a broad representation of the Aboriginal Community of Central Australia, including welfare organisations, a renal service, a hospital volunteer group, local schools, interstate schools and colleges, a school mentoring program, sporting groups, an employment taskforce (including local, NT and Australian Government agencies), outstation communities, cultural and arts groups, families and individuals.

“Table 5.2 Summary of Centrecorp’s charitable donations” in the Office of Evaluation and Audit Report details donations from 1st July 2000 to 30th June 2008.

Table 5.2: Summary of Centrecorp's charitable donations

Year	CAACT	CACT	Yeperenye Pty Ltd	TOTAL
2007-08	224,991 ¹	105,000	108,353	\$483,344
2006-07	99,085 ²	135,510	65,870	\$300,465
2005-06	124,105	-	26,077	\$150,182
2004-05	73,135	-	-	\$73,135
2003-04	22,027	-	-	\$22,027
2002-03	67,735	-	-	\$67,739
2001-02	40,154	-	-	\$40,154
2000-01	47,337	-	-	\$47,337

Notes:

1 - CAACT paid an additional \$7,160 to support the IEET project.

2 - CAACT paid an additional \$9,824 to support the IEET project.

These donations, which for CAACT and CACT total nearly \$1 million, may be classified as follows:

	\$
Education	400,183
Sport	179,957
Health & Welfare	135,397
Employment	128,087
Cultural & Art	111,443

The Trustee has focussed on education for Aboriginal youth as being a primary strategy in the Trusts' goal "To make a beneficial and ongoing difference to the lives of Aboriginal people in Central Australia."

(b)(vi) The nature and extent of Centrecorp disbursements to any charitable trusts or like entities,

Donations have included:

Graham (Polly) Farmer Foundation - The Foundation conducts successful Indigenous student support programs in WA and SA. Centrecorp partnered with NT and Commonwealth Government education departments to establish the program in Alice Springs \$275,000.

- | | | |
|---|---|---|
| The Salvation Army | - | Purchase of a vehicle for Indigenous programs \$25,000
Contribution towards cost of an amenities block for Indigenous programs \$27,000 |
| The Smith Family | - | Contribution towards the cost of in-school mentoring Program for Aboriginal girls \$36,000 |
| Gap Youth Centre | - | Funding of operational review and contribution towards costs of programs for disadvantaged Aboriginal youth in Alice Springs \$26,550 |
| Drovers Volunteer Service | - | A local organization providing support and transport for patients admitted to the Alice Springs Hospital, particularly those from communities.

Initial establishment costs \$10,000
Vehicle purchase \$28,350 |
| Garden Point Assoc. | - | A support Association for victims of the Stolen Generations programs. Contribution towards costs \$25,000. |
| Indigenous Education & Employment Taskforce | - | A task force comprising senior Local, Territory and Commonwealth officials and Indigenous organisations initiating and conducting education and employment programs in Central Australia. Contribution towards secretarial position \$30,000. |
| Bosom Buddies Inc. | - | Contribution towards making a video, suitable for Indigenous women, on breast cancer detection \$20,000 |

(b)(vii) The extent to which any Centrecorp beneficiaries and Central Land Council are informed of Centrecorp's business activities,

The publication 'Centrecorp, Building for the Future' has been widely distributed to Indigenous organisations, including the Central Land Council. A copy of it is attached. It is given to beneficiaries of the donations program. Details of the shareholding, the year in which it was acquired and a description of each of businesses in which equity is held are provided in that report. As advised in the publication, and noted in local media, there is a website – www.centrecorp.com.au. Both the booklet and the website provide an overview of the history, goals, strategies, enterprise activities, donations and structure of the Trustee in its establishment and stewardship of the Charitable Trust(s). The website sets out the process of applying for a donation.

A detailed set of audited annual financial statements is provided to the Central Land Council.

(b)(viii) how Aboriginal Australians living in the Central Australia region benefit from Centrecorp's business and charitable operations,

The direct benefits in response to several hundred donations made, presently worth over \$1.5m are self evident.

The local Aboriginal community in particular, is well cognisant of Centrecorp and its philanthropic worth to the community . Over the most recent years, Centrecorp has responded to over 300 requests for support, most coming from organizations with multiple Aboriginal membership. Our logo adorns numerous young Aboriginal sporting team uniforms. Our office walls feature displays of appreciation. Every secondary and most primary schools receive annual donations which are recognized in their annual presentation nights plus sponsorship for disadvantaged Aboriginal student excursions when requested. Some schools advise Centrecorp is amongst their most generous sponsors. Centrecorp partners with interstate secondary colleges in the costs of their Indigenous programs and also sponsors students from Central Australia to;

Annersley College, Adelaide
Clontarf College, Perth
Geelong College
Meriden College, Sydney
Westminster College, Adelaide, and
others.

There are over 30 students taking part in the Graham (Polly) Farmer Foundation Partnerships for Success Program at Centralian College, Alice Springs.

The parents and relatives of all these young people are aware of and appreciate the support given by Centrecorp.

Local senior public servants and many business proprietors, from whom goods and services are purchased for disadvantaged Aboriginal people, recognize our philanthropic programs.

Washing machines for Outstations, a specially equipped vehicle to a disadvantaged community family with a disabled daughter, contributions to community sports carnivals and community sporting groups, assistance with funeral costs, a vehicle for a dialysis service, payment of internet service provider fees, bush school excursions to cities, media equipment for a bush school project.

The number of donations requests, the extent of their origin and the variety of purpose testifies that Centrecorp is well recognized amongst the Aboriginal community in Central Australia.

Commencing with a donation of \$1,500 from well wishers in 1986, plus assistance from grant and loan programs of the Australian Government in its early years,

Centrecorp has, through sound governance, conservative investment and careful management, established and maintained an economic base from which ongoing benefits through donations will continue to flow.

There will always be more needs than resources to meet them. The Charitable Trusts administered by Centrecorp cannot, and cannot be expected to, address those responsibilities that rest with governments. However, like other philanthropic organisations, CAACT and CACT will, as always, work alongside government programs to 'patch the cracks'.

There is no comparable privately sponsored avenue of philanthropic benevolence, of such flexibility and magnitude, available to the most disadvantaged sector of the community of Central Australia.

Centrecorp Aboriginal Investment Corporation Pty Ltd
19 June 2009