

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Budget Estimates 2017 - 2018

Prime Minister and Cabinet Portfolio

Department/Agency: Indigenous Land Corporation

Outcome/Program: Outcome 2:

Topic: Divestment of Leases

Senator: Dodson

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Question:

Senator DODSON: So should I take it that, in cases where you buy a property with stock on it, when it comes to the divestment the lease is transferred but the stock is retained by the ILC, and the question of the divestment has a range of factors that goes to the divestment of the lease? What is involved with divesting the herd?

Ms Button: I would have to take that on notice and come back to you with more details. To be honest, there is only one property that I can think of at the moment that we are dealing with where stock was actually purchased with property, so I would have to come back to you on some broader examples. In that instance we are looking at a variety of options. They would include some transfer of stock to the group, whether it is through a joint venture arrangement, through a leasing arrangement or through some type of equity. We do, though, take a broader view around the level of ILC investment and the actual benefit to the group. In most instances, the greater level of investment has been in capital infrastructure, and that is typically where the greatest benefit return is to the group in terms of growth from the point of acquisition to investment and then granting a group a property that is typically valued at far more than what it was when the ILC purchased it. I hope that answers the question.

Senator DODSON: In part it does. Maybe you need to dissuade me from the view that the purchase of these properties initially was for a particular group and the purchase included the stock, and now there is a policy position where the divestment of the lease takes place but the stock—the commercial dimension—does not take place. What is the arrangement for the stock to be transferred to the people for whom this whole enterprise was purchased? That is what I am trying to get to.

Answer:

The Indigenous Land Corporation's policy is to not grant livestock, as biological assets are seen to belong to the wider Indigenous Estate.

The ILC has at times acquired pastoral properties on a *walk-in walk-out* basis with the purchase price including the land, infrastructure, plant and equipment, and livestock. In these instances the ILC has taken on ownership—managing and developing the property to a standard where it can be divested, and where it represents a viable and sustainable asset for the Indigenous group receiving title to the land. This phase includes managing and trading the

livestock, and building the size and quality of the herd through the ILC's agribusiness subsidiary.

The agribusiness subsidiary runs an integrated pastoral operation allowing it to move cattle around, benefiting multiple properties and potentially future properties. The operation of an agribusiness on a property typically involves ILC investment in infrastructure and rangeland condition to improve the property's sustainability and ultimately value.

In instances where the ILC has used its livestock to develop the land, the property is divested to the Indigenous group to a standard where the group can:

- use it as security to stock and operate the property itself
- generate a sustainable income from the property through sub-leasing, agistment or joint-venture arrangements.

The ILC policy of not granting livestock to Indigenous groups is based on a view that:

- While the livestock is not transferred to the group, and remains the property of the ILC, the net benefit to an Indigenous group from a divestment is significant and exceeds both the value of the original herd and the value of the original acquisition.
- The ILC is better placed to balance its commitments to the broader Indigenous Estate and a broader group of beneficiaries through ownership and utilisation of the livestock.
- By retaining ownership of its integrated herd, the ILC is able to continue to use the livestock: (i) to bring other properties into production and prepare them for divestment; and (ii) benefit other Indigenous groups.