

**Question No : 263**

**Question :** Sale of Sheratons

**Question Date :** 23/02/93

**Member :** Mr PARISH

**To :** CHIEF MINISTER

1. Did the Ludvik Berger-controlled company Sol Hotels (Australia) Pty Limited acquire the 2 Sheraton hotels by buying shares in the Northern Territory government-owned company Darwin International Hotels.
2. If the answer to question 1 is yes, was the reason for structuring the purchase in this way to give Ludvik Berger the benefit of Darwin International Hotels taxpayer-subsidised tax losses.
3. Is the net value of tax losses to Ludvik Berger as a tax deduction greater than the \$22.2m purchase price paid for the 2 hotels.
4. What is the amount of the total accumulated tax losses of Darwin International Hotels.
5. Is the main reason for the extended delay in concluding contractual arrangements with Ludvik Berger been the need for a longer 'due diligence' period than first anticipated in order to establish that Darwin International Hotels did not have any undisclosed liabilities other than accumulated tax losses.
6. What -
  - (a) additional support payments;
  - (b) interest; and
  - (c) other liabilities,were incurred by Northern Territory taxpayers while the prolonged 'due diligence' process was being carried out.
7. Is the Contract of Sale with Ludvik Berger entirely unconditional; if not, what are the conditions which may cause the sale not to proceed.
8. Is the sale of the Sheraton hotels subject to Ludvik Berger retaining commercial finance for the balance of the sale; if so -
  - (a) what date;
  - (b) are there any circumstances in which Ludvik Berger would be entitled to refund of part or all of the deposit paid so far; and
  - (c) what are those circumstances.
9. Is a deposit of \$16m currently being held in trust.
10. If the answer to question 9 is yes, do withdrawals from this trust account require signatures of a representative from both the Northern Territory government and Ludvik Berger.
11. If the answer to question 10 is yes -

- (a) is Ludvik Berger able to claim moneys without the signature of a Northern Territory government representative; and
- (b) is the Northern Territory government able to claim moneys without the signature of a Ludvik Berger representative.

12. If the contract is unconditional and there are no circumstances under which Ludvik Berger may become entitled to a refund, why has a trust arrangement been put in place.

13. Is the Northern Territory government absolutely and unconditionally entitled to the \$16m held in trust; if so, why have those funds not been paid directly to the Northern Territory government.

14. Has Ludvik Berger been able to secure commercial finance for the purchase of the Sheraton hotels; if not, why not.

15. Has Ludvik Berger taken up an offer from the Northern Territory government for vendor finance for 12 months; if so -

- (a) what is the contractual interest rate applicable to that loan;
- (b) should there be a default in repayment of the loan, does the Northern Territory government have an unconditional legal right to recover ownership of the Sheraton hotels and forfeit the \$16m deposit;
- (c) what are the events which would amount to default under that loan;
- (d) what securities, if any, for that loan will the Northern Territory government hold in addition to the right to recover the Sheraton hotels and forfeit the deposit;
- (e) should there be a default in repayment of the loan, is Ludvik Berger obliged to reconvey the Sheraton hotels in their present conditions, to repair any damage done or changes made to them and to repay any profit made from them; if so, how is profit defined in the contract;
- (f) does Sol Hotels (Australia) Pty Limited have any assets other than its interest in the 2 Sheraton hotels; if so, what are the assets;
- (g) does the Northern Territory government hold any personal guarantees from Ludvik Berger, or his family, securing his company's compliance with the terms of the contract and the vendor finance facility; if not, why not; and
- (h) are there any mechanisms in place where the Northern Territory government can prevent any changes in the control, ownership or structure of the Sheraton hotels, Sol Hotels (Australia) Pty Ltd or Darwin International Hotels which could put the hotels beyond recovery by the Northern Territory government in the event of default under the vendor finance facilities.

16. Is it the case that the company which will manage and operate the 2 former Sheraton hotels is Sol Hotels (Management) Pty Ltd, another company predominantly owned and controlled by Ludvik Berger and not by Grupo Sol itself; if so, why was it released that the hotels were being taken over by Grupo Sol.

17. Will a signed, stamped copy of the contract of sale be publicly released.