



Rear-Admiral (Ret'd) Hon. J.V. Bainimarama, CF (Mil), OSt.J, MSD, jssc, psc

Prime Minister of Fiji and Minister for iTaukei Affairs and Sugar Industry

PARLIAMENTARY - WRITTEN QUESTION NO. 09/2019

QUESTION:

Hon. Viliame Gavoka to ask the Prime Minister and Minister for iTaukei Affairs and Sugar Industry –The leases for the FNPF hotel properties at Denarau have been recently renewed and lease premiums paid to landowners at some eight million dollars –Can the Prime Minister indicate whether the percentage of gross receipts paid to the landowners is 3.5% or 5.5%.

RESPONSE:

The amount of \$8.7Million was paid by the Fiji National Provident Fund (FNPF) to the landowners as members of the Yavusa e Tolu of Narewa Village, Nadi in January 2019.

This is the lease premium for the additional 47 years required by FNPF for the Barton (Sheraton Resort) & Dubbo Limited (Westin Resort) leases to enable them to have a full 99 years lease.

The payment of 3.5% of gross receipts rentals for both resorts was effective from 1st January, 2018 based on the gross receipts of both hotel operations. The percentage of gross receipts is reviewed and increased by 0.5% after every ten years until it reaches 5%.

The amount of lease-rentals to be received by the landowners will be subject to the Gross Receipts or Sales Turnover of the two hotel operations.

(1) **Barton Limited (Sheraton Resort & Spa)**

Their annual lease rental to be received from 2018 for the next 10 years annually will be **\$600,000 or 3.5% of Gross Receipts (GR)** whichever is greater.

As for 2018 rental to be paid, an estimated 3.5% gross receipts to be paid in 2019 based on the Gross Receipts of the hotel on its 2018 gross receipts will be **\$1,614,102.86 VIP**.

(2) **Dubbo Limited (Westin Resort & Spa)**

Their annual lease rental for the above lease to be received from 2018 for the next 10 years annually will be **\$600,000 or 3.5% of Gross Receipts (GR)** whichever is greater.

As for 2018 rental to be paid, an estimated 3.5% gross receipts to be paid in 2019 based on the Gross Receipts of the hotel on its 2018 gross receipts will be **\$1,242,743 VIP**.

- (3) For both the above leases, effective from the **1st day of January, 2018**, the rent for each calendar year shall be calculated as the percentage of all gross receipts from all operations of the lessee on the land during the preceding calendar year:-
- a. **3.5%** of gross receipts turnover from **1st day of January, 2018** provided that this rent shall not be less than the minimum rent or the open market rent whichever is greater;
 - b. **4.0%** of gross receipts turnover from **1st day of January, 2028** provided that this rent shall not be less than the minimum rent or the open market rent whichever is greater;
 - c. **4.5%** of gross receipts turnover from **1st day of January, 2038** provided that this rent shall not be less than the minimum rent or the open market rent whichever is greater;
 - d. **5.0%** of gross receipts turnover from **1st day of January, 2048** provided that this rent shall not be less than the minimum rent or the open market rent whichever is greater;
 - e. That Ten percent (10%) of gross receipts from any time-share, license or concession is paid to the Lessor. The Lessor agrees that this clause shall not apply where the Lessee's licence, sublease, enters into a time share arrangements or a concession arrangement under which it is paid monies on a periodical basis where applicable, shall be added into the

pool of gross receipts turnover for the purposes of determining the annual rental which forms part of the calculation of gross receipts.

- f. In addition to the above, there will be minimum rental review after every five years based on the market value of land.
4. Apart from the annual lease rentals, the landowners will also qualify from other benefits that is specified in the Lease Terms and Conditions that the FNPF will have to fulfill. These include the following:

LOU Benefit Conditions

Sales/Transfer of Lease: If the Lessee decides to alienate the said Lease whether by sale or transfer to a third party, then the Lessee shall apply for the Lessor's consent pursuant to section 12 of the iTaukei Land Trust Act and upon settlement of the alienation of the said Lease, the Lessee shall pay to the Lessor:

- i) If the sale takes place at any time within 10 years from the date of commencement of this Lease, a sum equivalent to twenty per cent (20%) (VAT exclusive) of the total sale consideration received by the Lessee from such alienation of the said Lease.*
- ii) If the sale takes place at any time after 10 years from the date of commencement of this Lease, a sum equivalent to ten per cent (10%) (VAT exclusive) of the total sale consideration received by the Lessee from such alienation of the said Lease.*

Purchase of Share – The LOU must be provided the first right to purchase preferential (dividend) shares in the Company.

Education Fund – The Lessee must pay \$10,000.00 annually effective from 1st January, 2018 to the landowners as scholarship fund. The Fund is subject to review after every five (5) years and shall be managed through Memorandum of Agreement between FNPF and Landowners Trust Committee.

Village Infrastructure/Community Development Fund – The Lessee shall contribute a one-off payment of \$100,000.00 to be paid to the LOU for the improvement of the village infrastructure/development. The fund shall be managed through Memorandum of Agreement between FNPF and Landowners Trust Committee.

Subdivision Lots, Sub-lease & Strata titles – The Lessee must pay the Lessor 5% of the total consideration for sales and resale of sub-lease, strata title or sub-division lots.

Management Training Program – The Lessee must ensure that there are management training programs in place for the landowners to be involved in the business with the long term goal to be managed and to own the resort in future.

Business Opportunities – Landowners must be given first preference for all business activities such as transport operators, handicrafts business, village visit, entertainment and other business activities that might be relevant to them

provided they meet the standard and minimum requirements of the Lessee or resort management. This must be properly discussed with the landowners and Memorandum of Agreement should be in place to ensure this agreement is protected and honoured.

5. Additional Information

- i. The lease premiums paid for these two leases under TLTB's current Tourism Lease policy is one of the best for the landowners as has now being aligned to the current market conditions.

- ii. For the lease premiums paid out to the surviving landowners in January 2019, a total of 1,715 members received an equal portion of \$4,543.
