



The Hon. John Barilaro MP

Deputy Premier
Minister for Regional New South Wales,
Minister for Skills and Minister for Small Business

Rebecca Main
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Budget Estimates Secretariat
Room 812, Level 8, Parliament House
Macquarie St
SYDNEY NSW 2000

To whom it may concern,

RE: BUDGET ESTIMATE 2018/19: REGIONAL NSW, SKILLS, SMALL BUSINESS

Please find enclosed further responses to questions taken on notice and supplementary questions relating to Go NSW Equity Fund, from Portfolio Committee 3 Budget Estimates hearing on September 4th 2018.

Yours sincerely,

The Hon John Barilaro MP
Deputy Premier
Minister for Regional New South Wales
Minister for Skills and Minister for Small Business

Budget Estimates 2018-19, Tuesday 4 September 2018

Regional NSW, Skills, Small Business

Question 1 (Pages 3 of transcript)

The Hon. JOHN GRAHAM: ROC Partners are a private equity firm with about \$4 billion to \$5 billion under management who spun out of Macquarie Group in a management buy-out. They were previously the private equity department known as Macquarie Investment Management Private Markets. How were they chosen to work with government?

Mr JOHN BARILARO: Again, I might refer that to the secretary. But I can only assume that First State Super being the majority partner in the equity fund, with \$100 million out of \$150 million; I do not know if the secretary has that answer.

Mr DRAPER: I will answer more fully on notice but I understand that is correct—that they were referred, firstly, by Treasury Corporation through to First State Super and then First State Super to ROC Partners.

ANSWER

Jobs for NSW was introduced to First State Super in 2016 by NSW Treasury. First State Super subsequently approached Jobs for NSW about a coinvestment approach.

Jobs for NSW and First State Super then undertook research into the availability of investment advisors with the expertise, experience and breadth of resources to support the functional role for the fund.

A list of six prospective advisors was identified from which Jobs for NSW and First State Super determined a short-list of three, one of which was ROC Partners. I understand that initial meetings with some potential providers were held in December 2016.

As part of this process, Jobs for NSW engaged an independent adviser during the development of the GO NSW Equity Fund. The adviser was identified by Jobs for NSW owing to their recent work to develop the South Australian Government's Venture Capital Fund.

In February 2017, Jobs for NSW requested the adviser to provide a view on the market for potential advisors / managers focused solely on SMEs that were undertaking expansionary growth phases. The adviser confirmed the market for advisors for this specific purpose was limited and reviewed shortlisted firms, including ROC Partners. Of these firms, ROC Partners was considered to have the most coinvestment experience.

In March 2017, Jobs for NSW and First State Super identified ROC Partners as the preferred advisor. First State Super led the due diligence into ROC Partners given their experience in fund management and assessment of fund managers. First State Super engaged its own adviser to provide an independent assessment, with First State bearing the cost of this work. First

State confirmed that ROC Partners met their protocol for the appointment of a fund manager.

Question 2 (Pages 4 - 5 of transcript)

The Hon. MICK VEITCH: What is the value of Stone Axe?

Mr JOHN BARILARO: I will have to refer that to the secretary.

Mr DRAPER: I will have to take that on notice.

The Hon. MICK VEITCH: While you are doing that could you also get the revenue of the company?

Mr DRAPER: Yes. Again, I do not have that in front of me. I will have to take it on notice.

ANSWER

This is commercial in confidence.

Question 3 (Pages 6 of transcript)

The Hon. JOHN GRAHAM: And for the board of Jobs for NSW. We are sitting here with two of the members of that board. Was this disclosed?

Mr DRAPER: I was not a member of the board when that decision was made but we can take the question on notice and provide some information.

The Hon. JOHN GRAHAM: Mr Reardon?

Mr REARDON: I am the same; I am happy to take that on notice.

Mr REARDON: As we said, we would take on notice the specifics that you have asked about. As I said, we will take on notice the specifics you have raised about this issue. I will take on notice the specifics you have raised because I do not have any more detail in front of me.

ANSWER

Although Roc Partners is listed as a shareholder in Stone Axe Pastoral, I am advised that Roc Partners itself is not an investor in Stone Axe Pastoral, but was managing funds invested in Stone Axe Pastoral on behalf of other clients.

I am advised that Roc Partners declared their position on the Stone Axe Board on behalf of their clients, as well as their shareholdings on behalf of their clients, to the Investment Committee of the GO NSW Equity Fund and to the Jobs for NSW Board.

Question 4 (Pages 9 - 10 of transcript)

Mr JUSTIN FIELD: I got the feeling you were about to quote some numbers before about the numbers of people who had either gone through the Smart, Skilled and Hired program or participated in the Youth Employment Innovation Challenge.

Mr JOHN BARILARO: Yes.

Mr JUSTIN FIELD: I am happy for you to provide those on notice, potentially.

Mr JOHN BARILARO: Yes, but I have got them here if you want. There are 4,852 young people who participated in our youth employment program. The good news there is 1,450 of them have got a job out of it. So this is not another program by governments that help you polish up a curriculum vitae; they are real programs dealing with the impediments every day for young people getting the skilled training or the opportunities of employment. Those participants in Western Sydney—it was 2,272 and 623 of them got a job. On the Central Coast and Hunter: 1,351 participants and 353 got a job.

Mr JUSTIN FIELD: I have limited time. If you could table those regional statistics, I would really appreciate it.

Mr JOHN BARILARO: We can do that, absolutely. No problem at all.

ANSWER

Regional statistics for Smart, Skilled and Hired Youth Employment program as of 12/09/18.

Region	Participant numbers	Participants in Employment
Western Sydney	2,639	713
Hunter/Central Coast	1,578	400
New England/North West	343	104
North Coast	1,106	452
Total	5,666	1,669

Question 5 (Page 11 of transcript)

Reverend the Hon. FRED NILE: Minister, following up on the issue of trying to get Aboriginal and Indigenous people to develop projects, legislation and regulation that give priority for Indigenous land councils to apply for economic projects and to be given priority over commercial companies. Is there a requirement for that?

Mr JOHN BARILARO: I would have to take that question on notice, unless Mr Reardon can answer it.

ANSWER

The NSW Aboriginal Procurement Policy was introduced on 1 July 2018 includes a three per cent target for all NSW Government goods and services contracts to be awarded to Aboriginal owned businesses by 2021. The objective of this policy is to

create opportunities for Aboriginal owned businesses and encourage Aboriginal employment and training through the supply chain of NSW Government contracts.

Question 6 (Page 11 of transcript)

Reverend the Hon. FRED NILE: I am very happy with what you have just stated, but my question remains: Is there a priority? The New South Wales Aboriginal Land Council has told me that until recently there was a legislative requirement that Aboriginal land councils be given priority in projects over other commercial companies. Without consultation that regulation has been repealed, without any parliamentary action—so by some bureaucratic action within your departments.

Mr JOHN BARILARO: I do not know the answer.

Reverend the Hon. FRED NILE: Could you investigate that?

Mr JOHN BARILARO: We will take that on notice.

Mr JOHN BARILARO: If there has been a change it should have had to happen by legislation.

Reverend the Hon. FRED NILE: They said that it was removed by regulation.

Mr JOHN BARILARO: We will take that on notice.

Mr REARDON: We will take it on notice, but that procurement policy is recent, and that is what we are working to now.

ANSWER

The *Petroleum (Onshore) Act 1991* guarantees that the NSW Aboriginal Land Council (NSWALC) and other parties who had their petroleum exploration licences applications expunged in 2014 will be invited to apply if areas that were under their expunged applications are released for exploration. The legislation was amended in December 2015 to remove priority application for those parties. Applications from these parties will be considered alongside applications from any other party through a competitive process if the area in question is released for exploration.

The Government is strongly supportive of the NSWALC's strategy to enter the resources industry and understands the potential benefits this may bring through the provision of employment and economic development opportunities for the Aboriginal people of the state's far west. To this end, the NSW Government has provided the NSWALC with a case manager to assist with future applications under the *Strategic Release Framework for Coal and Petroleum Exploration*.

Question 7 (Pages 12 – 13 of transcript)

The Hon. JOHN GRAHAM: In relation to Stone Axe Pastoral, 10 months earlier your fund manager ROC Partners bought a majority shareholding in this company. You

turned up on 21 February 2018 to make the announcement about this first investment.

Mr JOHN BARILARO: Yes.

The Hon. JOHN GRAHAM: Was anyone from ROC Partners present at that announcement?

Mr JOHN BARILARO: Of course there was someone there, present from—

The Hon. JOHN GRAHAM: Who was there?

Mr JOHN BARILARO: You are asking me off the top of my head to remember who was there. I do not know and I cannot remember, but I am happy to take that on notice and report back.

ANSWER

A list of all attendees was not taken at the event. This information is not held by the NSW Government and not required to be disclosed under Premier's Memorandum 2015-05. The Department of Industry prepared an event brief for the Deputy Premier, which included a list of expected attendees as follows:

Name	Position	Company
Steven Blaney	Executive Director, Communications and Engagement,	Department of Industry
Michael Baldwin	Corporate Affairs Manager	First State Super
Michael Dwyer	CEO	First State Super
Chris Celovic	Cluster Champion	Jobs for NSW
Michael Lukin	Partner	Roc Partners
Kerry Miller	Admin Assistant	Stone Axe Pastoral
Matthew Walker	Director and Founder	Stone Axe Pastoral
Scott Richardson	Managing Director	Stone Axe Pastoral

Question 8 (Pages 14 of transcript)

The Hon. MICK VEITCH: When did you advise the Minister that you were going to make the announcement? When did you advise the Minister for Primary Industries? He is the lead Minister in this cluster.

Mr JOHN BARILARO: In Primary Industries he is the cluster Minister. Was he advised? I do not know if he was or was not.

The Hon. MICK VEITCH: Did you or your office? Can you take it on notice to find out when he was told?

Mr JOHN BARILARO: I will take it on notice, but it is irrelevant if he was not. It is a Jobs for NSW—

The Hon. MICK VEITCH: You would not have made a courtesy call?

Mr JOHN BARILARO: I will take it on notice if he was told or not.

ANSWER

The Deputy Premier's Office is in regular contact with other Ministerial offices in relation to a range of issues.

Question 9 (Page 15 of transcript)

The Hon. MICK VEITCH: What is that commercial rate? You can take that on notice.

Mr DRAPER: I have to take it on notice.

ANSWER

This is commercial in confidence.

Question 10 (Page 21 of transcript)

Mr JUSTIN FIELD: As I understand it, \$10 million of that is directed to the Youth Employment Innovation Challenge.

Mr JOHN BARILARO: That is correct.

Mr JUSTIN FIELD: Can you provide the Committee with an update on the status of that challenge? I understand it was launched earlier this year and that some shortlisting has been done. At what point will there be some announcements about who has been successful?

Mr JOHN BARILARO: Do you mean the names of the participants in that challenge?

Mr JUSTIN FIELD: I understand it is a Shark Tank scenario where people pitch a proposal and some will be funded.

Mr JOHN BARILARO: I do not have that detail with me. I will take the question on notice.

Mr JUSTIN FIELD: Can you break that down into the different regions?

Mr JOHN BARILARO: Yes.

Mr JUSTIN FIELD: I understand that the North Coast, the Central Coast, the Illawarra and the Shoalhaven are definitely part of it. Will the successful applicants be named publicly?

Mr JOHN BARILARO: Again, I will take that question on notice.

ANSWER

The Youth Employment Innovation Challenge contract negotiations are currently underway. The Department is in discussion with 13 Providers across all regions the program operates. In Early October, once the contract negotiations have concluded, we will be in a position to provide the details of the providers, detail of business name, type, and regional location.



LEGISLATIVE COUNCIL

PORTFOLIO COMMITTEE

BUDGET ESTIMATES 2018-2019
Supplementary Questions

Portfolio Committee No. 3 – Education

REGIONAL NEW SOUTH WALES, SKILLS, SMALL BUSINESS

Hearing: Tuesday 4 September 2018

Answers due by: Friday 28 September 2018

Budget Estimates Secretariat
Phone 9230 3313
BudgetEstimates@parliament.nsw.gov.au

REGIONAL NEW SOUTH WALES

Questions from the Hon Shaoquett Moselmann MLC (on behalf of the NSW Labor Opposition)

Go NSW Equity Fund

1. What evidence is there that NSW firms need assistance to overcome the barrier of access to finance?
 - (a) Are there any reports or experts that substantiate the existence of barriers to accessing finance?
 - i. If so, please provide details?

Answer:

There are various sources of information publically available which explore the issues businesses face accessing finance at different stages of their business model. The NSW Government also makes its own research publically available in relation to barriers faced and our policies to make it easier to access finance..

For example the federal Department of Industry, Innovation and Science has reported that “The greatest barrier to innovation for all young SMEs aged up to four years remains lack of access to additional funds” Source: [Australian Innovation System Report 2015](#)

The Jobs for the Future report states that Australia’s venture capital investment equates to only 0.02% of GDP, compared to 0.38% in Israel, 0.28% in the US, and 0.07% in Sweden. It notes “this is felt hardest in later-stage venture capital funding, when \$5-20 million is needed to build a firm before it can either go public or call on bank lending.” Source: [Jobs for the Future report](#)

Stricter regulatory requirements following the creation of Basel III have led to a withdrawal of the major banks from this segment. Source: [Parliament of Australia, Inquiry into the post-GFC banking sector, 2012.](#)

[Other sources include the Australian Small Business and Family Enterprise Ombudsman and the Reserve Bank of Australia:](#)

- “There appear to be constraints on attracting domestic and foreign capital for private equity (PE) and venture capital (VC) that are acting as a handbrake on business growth and investment. There is a strong, healthy pipeline of candidate businesses for PE and demand is perceived to be outstripping supply and availability of capital. The estimated gap is about double the number of existing businesses currently receiving investment.” Source: [Australian Small Business and Family Enterprise Ombudsman 2017, Barriers to Investment: A study into factors impacting small to medium enterprise investment.](#)
- “While conditions are better than they were in the period just after the global financial crisis, around one-fifth of businesses report that they have found it relatively difficult to access finance ... In addition, the proportion of small businesses that perceive it to be relatively easy to access finance has declined recently.” Source: [Reserve Bank of Australia, 2018, Access to Small Business Finance,](#)

<https://www.rba.gov.au/publications/bulletin/2017/dec/pdf/bu-1217-7-the-availability-of-business-finance.pdf>

2. Why would high potential companies not otherwise have access to finance through conventional sources of funding such as banks, private investors or a capital raising through the stock exchange?

Answer:

Australia's venture capital investment is small compared to comparable economies and stricter regulatory requirements post-Basel III have led to a withdrawal of the major banks from investing in the SME sector. Many scaling NSW businesses cannot access traditional finance for their growth plans as they do not have sufficient trading history or adequate security for a loan from a commercial lender.

3. Has ROC been paid for their appointment advising on GO NSW's investment decisions?

Answer:

ROC Partners receive a set management fee for managing the GO NSW Equity Fund.

(a) If so, how much?

Answer:

This is commercial in confidence.

4. How was ROC selected to partner with Jobs for NSW in the GO NSW Equity Fund?

(a) Did this selection involve a competitive process?

Answer:

Jobs for NSW was introduced to First State Super in 2016 by NSW Treasury. First State Super subsequently approached Jobs for NSW about a coinvestment approach.

I am advised that Jobs for NSW and First State Super then undertook research into the availability of investment advisors with the expertise, experience and breadth of resources to support the functional role for the fund.

A list of six prospective advisors was identified from which Jobs for NSW and First State Super determined a short-list of three, one of which was ROC Partners. I understand that initial meetings with some potential providers were held in December 2016.

As part of this process, I am advised that Jobs for NSW engaged an independent adviser during the development of the GO NSW Equity Fund. The adviser was identified by Jobs for NSW owing to their recent work to develop the South Australian Government's Venture Capital Fund.

In February 2017, Jobs for NSW requested the adviser to provide a view on the market for potential advisors / managers focused solely on SMEs that were undertaking expansionary growth phases. The adviser confirmed the market for advisors for this specific purpose was limited and reviewed shortlisted firms, including ROC Partners. Of these firms, ROC Partners was considered to have the most coinvestment experience.

In March 2017, Jobs for NSW and First State Super identified ROC Partners as the preferred advisor. First State Super led the due diligence into ROC Partners given their experience in fund management and assessment of fund managers. First State Super engaged its own adviser to provide an independent assessment, with First State bearing the cost of this work.

I am advised that First State confirmed that ROC Partners met their protocol for the appointment of a fund manager.

5. Do the board members of Jobs for NSW receive payment of any kind for their role?

Answer:

Yes.

- (a) If so, how much does each member of the Jobs for NSW board received?

Answer:

This is publically available information. The remuneration of the Jobs for NSW Board is considered a C6 classification which is determined by the NSW Public Service Commission.

6. Have you ever met Mr David Trebeck?

Answer:

No. Ministerial diaries are publically disclosed in accordance with Premier's Memorandum 2015-05.

- (a) If so, in what capacity have you met him?

Answer:

Refer to Question 6.

7. Who was present at the announcement of the first investment of the Go NSW Equity fund on the 21st of February 2018?

Answer:

A list of all attendees was not taken at the event. This information is not held by the NSW Government and not required to be disclosed under Premier's Memorandum 2015-05. The Department of Industry prepared an event brief for the Deputy Premier, which included a list of expected attendees as follows:

Name	Position	Company
Steven Blaney	Executive Director, Communications and Engagement,	Department of Industry
Michael Baldwin	Corporate Affairs Manager	First State Super
Michael Dwyer	CEO	First State Super
Chris Celovic	Cluster Champion	Jobs for NSW
Michael Lukin	Partner	Roc Partners
Kerry Miller	Admin Assistant	Stone Axe Pastoral
Matthew Walker	Director and Founder	Stone Axe Pastoral
Scott Richardson	Managing Director	Stone Axe Pastoral

8. Who was present from ROC Partners?

Answer:

Refer to answer for question 7

9. What is the revenue of the Australian Oyster Coast?

Answer:

This information is commercial in confidence.

10. What is the valuation of the Australian Oyster Coast?

Answer:

This is commercial in confidence.

11. What is the revenue of Stone Axe Pastoral?

Answer:

This is commercial in confidence.

12. What is the valuation of Stone Axe Pastoral?

Answer:

This is commercial in confidence.

13. Can you rule out any financial gain or potential financial gain to ROC Partners from the investment into Stone Axe Pastoral?

Answer:

Roc Partners receive a set management fee for managing the GO NSW Equity Fund. Roc Partners may be eligible for a performance-based fee when an investment is divested, subject to meeting criteria pre-determined by First State Super and Jobs for NSW.

Although Roc Partners is listed as a shareholder in Stone Axe Pastoral, I am advised that Roc Partners itself is not an investor in Stone Axe Pastoral, but is managing funds invested in Stone Axe Pastoral on behalf of other clients.

14. To whom was ROC Partners' shareholding in Stone Axe Pastoral declared?

Answer:

I am advised that Roc Partners declared their position on the Stone Axe Board on behalf of their clients, as well as their shareholdings on behalf of their clients, to the Investment Committee of the GO NSW Equity Fund. This was communicated to the Jobs for NSW Board.

Please also refer to Question 13.

15. Was it declared to both the Investment Committee and to the Jobs for NSW board?

Answer:

Refer to Question 13 and 14.

16. Why was this not declared publicly?

Answer:

Please also refer to question 13 and 14.

17. How many firms were subject to detailed due diligence for consideration of investment under the Go NSW Equity fund?

Answer:

Eight

18. Please supply the eligibility guidelines for the fund.

Answer:

This information is publically available on the Jobs for NSW website and can be found at: https://www.jobsfornsw.com.au/_data/assets/pdf_file/0009/124101/Go-NSW-Equity-Fund-fact-sheet.pdf. A Jobs for NSW GO NSW Equity Fund fact sheet is available to ensure transparency and educate interested parties.

19. Why do the Budget papers list the NSW contribution to the Go NSW Equity Fund as \$42 million?

Answer:

The Budget papers reflect the figure allocated for the current financial year.