

**Additional question in relation to GO NSW equity fund
Portfolio Committee 3
Budget Estimates**

Probity auditor

What is the name of the probity auditor used for the investments in both AOC and Stone Axe Pastoral?

When were they appointed?

Did they prepare a written probity report? If so, please supply it to the committee.

Response:

I am advised that the appointment of a probity officer is always at the discretion of the agency and a probity auditor was not required.

Risk Assessment

Was a written risk assessment prepared for the investments in both AOC and Stone Axe Pastoral? If so, please supply it to the committee.

In relation to Stone Axe pastoral, Attachment 2 to the brief signed off by Jobs for NSW in December 2017 refers to a Risk assessment in October 2017 conducted by the Secretary and the Minister's Office. What was the nature of the risk assessment? Was a written risk assessment prepared? If so please supply it to the committee.

Was a similar risk assessment conducted by the Minister's office for the AOC investment? What was the nature of the risk assessment? Was a written risk assessment prepared? If so please supply it to the committee.

Response:

Information in relation to this risk assessment has also been requested by the Hon Mick Veitch MLC via GIPA.

The Minister's office does not prepare written risk assessments in relation to any investments through the GO NSW Equity Fund. I am advised the GO NSW Equity Fund requires ROC Partners to independently complete due diligence, and prepare a paper as per standard investment practice, that considers a range of issues including the viability of the investment and any potential risk.

I am advised these documents are commercial in confidence and the property of ROC Partners.

Notification to DPI

When was the Director General of the Department of Primary Industries first made aware of the potential investment into Stone Axe Pastoral?

Response:

This question has also been asked of the Minister for Primary Industries in question time.

I am advised the Director General was first aware of the investment on 21 February 2018

When was the Director General of the Department of Primary Industries first made aware of the potential investment into AOC?

Response:

I am advised the Director General was first made aware of the investment opportunity on 26 February 2018

Additional question in relation to GO NSW equity fund

Portfolio Committee 3

Budget Estimates

In relation to Stone Axe pastoral, Attachment 1 to the brief signed off by Jobs for NSW in December 2017 refers to discussions with the Director General of the Department of Primary Industries. What were the nature of those discussions? When did they occur?

Response:

I am advised a discussion occurred via telephone on 27 November 2017. The Director General of the Department of Primary Industries discussed investment opportunities in primary industries in NSW, including the growth of export opportunities to Asia. The Stone Axe investment opportunity was not discussed.

Was any written advice provided to the Director General of the Department of Primary Industries?

Response:

I am advised no written advice was provided to the Director General of Primary Industries prior to the investment being made in relation to Stone Axe Pastoral.

The announcement

Was Michael Lukin from Roc Partners present at the launch of the investment into Stone Axe pastoral?

Response:

Information relating to this question has been provided to the committee via Budget Estimates questions on notice.

I am advised this information is not held by the NSW Government and not required to be disclosed under the Premier's Memorandum 2015-05. I am advised that Mr Michael Lukin of Roc Partners was invited to the Stone Axe Pastoral investment announcement.

Financial return to ROC

What is the value of the set management fee received by ROC Partners for managing the GO NSW Equity Fund?

Response:

I am advised this is commercial in confidence

How much has been paid to date to ROC Partners for their involvement in the GO NSW Equity Fund?

Response:

I am advised this is commercial in confidence

Previous advice is that: "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."

For each of the investments to date what are the pre-determined criteria for such a performance based fee on divestment?

What is the fee?

Response:

I am advised this is commercial in confidence.

**Additional question in relation to GO NSW equity fund
Portfolio Committee 3
Budget Estimates**

I am advised the NSW Department of Industry is not required to publish the contract. Section 38 of the Government Information Public Access Act 2009 provides an exception for industry support contracts.

I am advised investments made through the Go NSW Equity Fund will create new jobs, support growth in regional communities and create other positive social impacts. As the fund manager, ROC Partners are responsible for the success of the investment and substantiating the jobs creation targets and associated returns that are created through these investments.

The disclosure

Previous advice is: "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."

Was this information disclosed to the Director General of the Department of Primary Industries, and when?

Response:

I am advised no information was provided.

Was this information disclosed to the Premier's office, and when?

Response:

I am advised no information was provided.

Was this information disclosed to the Deputy Premier, and when?

Response:

Not before the investment was made.

Was this information disclosed to the Deputy Premier's office, and when? Was this disclosure in writing? If so, please supply it to the committee.

Response:

This was not disclosed before the investment was made. I am advised the Deputy Premier's Office was first notified via an event brief: Media Announcement-Stone Axe awarded Jobs for NSW Equity Funding.

Questions about the disclosure were asked during budget estimates and it was stated on record that David Thodey, AO, who is the chair of the Jobs for NSW Board, confirmed that Roc Partners disclosed their interest in Stone Axe and it was managed appropriately.

I am advised that the disclosure was made in writing in the GO NSW Equity Fund Investment Committee papers. Investment Committee papers are not provided to the Minister's office. I am advised the Investment Committee papers are commercial in confidence and are not the property of the NSW Government.

I am advised the due diligence and related papers contain commercially sensitive information, including intellectual property and core business details and if released could negatively affect existing and future business for ROC Partners and its clients.

Did Michael Lukin absent himself from decision-making on this matter, given he was the Chair of the company at the time of the decision?

Response:

I am advised that he did not. I am advised that ROC Partners disclosed their existing interest in

Additional question in relation to GO NSW equity fund

Portfolio Committee 3

Budget Estimates

Stone Axe Pastoral and the Investment Committee deemed that there was no conflict.

Value of the companies

Given that the Government is a shareholder in each of these companies, what is the justification for not providing this information to the Parliament?

Response:

The NSW Government is not a shareholder in Australia's Oyster Coast or Stone Axe Pastoral.

I am advised the value of the companies is commercial in confidence and the valuation of the companies is owned by ROC Partners. The release of this information would prejudice legitimate business, commercial and financial interests of the companies and their shareholders.

What is the revenue of the Australian Oyster Coast? What is the valuation of the Australian Oyster Coast?

Response:

Questions relating to the value of Australia's Oyster Coast have already been asked and answered in the previous round of supplementary questions.

I am advised this is commercial in confidence. The release of this information would prejudice legitimate business, commercial and financial interests of the companies and their shareholders.

What is the revenue of Stone Axe Pastoral? What is the valuation of Stone Axe Pastoral?

Response:

Questions relating to the value of Stone Axe Pastoral have already been asked and answered in the previous round of supplementary questions.

I am advised this is commercial in confidence. The release of this information would prejudice legitimate business, commercial and financial interests of the companies and their shareholders.

The Government has not announced any more investments as a part of the Go NSW Equity fund. Have any more investments been made?

Response:

No

The fund

Previous advice in relation to the eligibility guidelines for the fund was:

"This information is publicly available on the Jobs for NSW website and can be found at: https://www.jobsfornewsw.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."

This fact sheet contains the following statement: "To learn more about the GO NSW Equity Fund, including details on the eligibility criteria and investment process, please contact gonsw@jobsfornewsw.com.au"

Additional question in relation to GO NSW equity fund

Portfolio Committee 3

Budget Estimates

Please supply to the committee the additional details referred to.

Response:

I am advised all eligibility guidelines are publicly available at the URL provided in the previous answer.

I am advised the gonsw@jobsformsw.com.au email address is a general enquiry address, which provides the opportunity for interested businesses to have a telephone conversation or meeting with Jobs for NSW staff, relating to their individual business.

I am advised there is no additional generic product information on the GO NSW Equity Fund that is provided via this email address beyond the GO NSW Equity Fund fact sheet referred to.

The assessment

What were the refinements to the underlying model that have resulted in a revised cost per standardised job?

Response:

A letter of explanation has been provided by the Department of Industry, in response to The Hon Mick Veitch MLC's GIPA application regarding Stone Axe, and is attached for committee reference.

I am advised that in relation to the Stone Axe investment, Jobs for NSW has since enhanced the assessment tool, with a leading economics centre. The tool now incorporates multiple scenarios to forecast the real cost per job of investments made under the GO NSW Equity Fund. This includes a scenario of expected return, which would produce a benefit per job, rather than a cost per job.

Following the revisions to the underlying model what was the revised cost per standardised FTE job?

Response:

A letter of explanation has been provided by the Department of Industry, in response to The Hon Mick Veitch MLC's GIPA application regarding Stone Axe, and is attached for committee reference.

I am advised in the time since this analysis was produced for Stone Axe, Jobs for NSW has enhanced the assessment tool for the GO NSW Equity Fund, taking into account multiple scenarios to forecast the real cost per job for investments. This includes a scenario of expected return, which in turn produces a positive return per job, rather than a cost per job.



The Hon. Mick Veitch, MLC
Shadow Minister for Primary Industries,
Shadow Minister for Lands, and Shadow Minister for Western NSW
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Veitch

Request under the *Government Information (Public Access) Act 2009 (NSW)*

I refer to your request for "any assessment of the impacts of the investment on the beef industry and wagyu beef industry in NSW" made under the *Government Information (Public Access) Act 2009 (NSW)*, which includes a report containing the results of the preliminary Rapid Cost Benefit Analysis of the Stone Axe Pastoral Company ("**Stone Axe**") equity investment.

I want to take immediate steps to correct any misunderstanding in terms of the data presented. In particular, I advise against reliance on the 'Cost to NSW Government per job' of \$430,000 detailed in the report and the creation of the 7.7 standardised full time equivalent (SFTE).

As noted in the report, the assessment of Stone Axe Pastoral was undertaken using the Project Rapid Assessment Tool, which was still under development. The Department of Premier and Cabinet's Investment Appraisal Unit (IAU) had advised that refinements to the underlying model have resulted in a revised cost per *standardised* job of \$129,000.

This calculation was designed to assume a worst-case scenario in which Jobs for NSW would lose its entire \$3.3 million investment. This assessment was by no means based on the strength of the Stone Axe equity investment or the company's future growth potential. Put simply, this calculation was not personalised to the risk-return profile of investing in Stone Axe, and should not be taken as such. To accept this figure as relevant to the investment in Stone Axe would not only be damaging to the company, but it would be incorrect. The Stone Axe Pastoral investment is forecast to return a positive benefit to the NSW Government upon divestment.

The project metrics in the suggest that the investment will create 7.7 standardised full time equivalent (SFTE) jobs. I note that SFTE is an economic measure of employment that takes into account the duration of employment over the analysis period. In other words, the reported number of SFTE jobs refers to the average number of people that would be directly employed in each year, on a full time equivalent (FTE) basis, as a result of the project, over the analysis period. The investment is forecast to create 76 new jobs in Stone Axe, which monitored by Jobs for NSW over the course of the investment.


I note that the Cost Benefit Analysis undertaken by IAU was not provided to Roc Partners for use in formulating their investment recommendation. Their investment recommendation, was derived independently, consistent with their role as General Partner to the GO NSW Equity Fund.

In the time since this report was produced, Jobs for NSW has worked with a leading economics centre to use multiple scenarios to forecast the real cost per job of investments made under the GO NSW Equity Fund. This includes a scenario of expected return, which in turn would produce a benefit per job, rather than a cost per job.

I am pleased to confirm that, on a portfolio basis, the forecast cost per job for companies we invest in through the Go NSW Equity Fund is estimated to be \$12,580. This is a marked difference from the calculation outlined in this Stone Axe equity investment brief, as it does not only assume a worst-case scenario of total loss to the NSW Government.

If you have any queries, please do not hesitate to contact me on 9338 6810 or via email zoe.desaram@industry.nsw.gov.au

Yours sincerely



2/11/18.

Zoe de Saram
Deputy Secretary
Skills and Economic Development
NSW Department of Industry