

Answers to questions on notice
Public hearing - Debt Retirement Fund - 21 July 2023
Professor Stephen Bartos

Dear Frances

No corrections to the transcript from me.

In relation to the question on notice, I have attached below the contract (with commercial terms redacted) and the questions asked in relation to a consulting assignment I undertook for Coolabah Capital Investments

Kind regards

Stephen Bartos

Extract from Hansard below:

The Hon. DAMIEN TUDEHOPE: I haven't got many more questions. Perhaps I can deal with it this way. Was there a series of correspondence entered into between you and Coolabah Capital Investments in respect of the provision of your advice, Dr Bartos?

STEPHEN BARTOS: I think it would be wrong to characterise it as a series of correspondence. There was an email to myself and there was a report that I provided. There was some—I don't recall whether there were any emails at all in relation to that report when it was in draft. I believe I had a telephone conversation with Christopher Joye and then I sent him an invoice for it. But if I can anticipate where you may be going with this question, if there is any suggestion at all that, in preparing this report, I was influenced by the views of Coolabah Capital Investments, I certainly wasn't. I made it clear that I was undertaking this assignment for them on the basis of my own professional judgement and expertise, and the report was fully independent and not beholden to anything that they might have said to me. And they respected that. They didn't actually instruct me what to write in any way at all.

The Hon. DAMIEN TUDEHOPE: In those circumstances—and I accept that answer—would you be prepared to provide that correspondence to the Committee?

STEPHEN BARTOS: Yes. I've already said that. I can't see any problem with that, with one proviso and that is—

The Hon. DAMIEN TUDEHOPE: In view of the short time that I have—

STEPHEN BARTOS: Can I also just, out of courtesy, make sure that Coolabah Capital is happy with that as well?

The CHAIR: Yes, thank you, Dr Bartos.

Answer to question on notice:

The contract and the questions that were asked were contained in emails, copied below.

Email #1 – contract

On 27 Jun 2021, at 9:50 AM, Christopher Joye

wrote:

Dear Stephen,

As confirmed, this email contract is as follows:

- You will produce a detailed written expert opinion on public policy questions posed by Coolabah Capital
- [commercial terms relating to price and capping hours to be worked have been redacted]
- If you need to spend additional hours, you will first seek written approval from Christopher Joye
- You expect to complete a first draft of this week over the coming days

Many thanks,

Chris

Christopher Joye
Chief Investment Officer

W: coolabahcapital.com

Podcast: coolabah.podbean.com

YouTube: [Coolabah Capital Investments](https://www.youtube.com/CoolabahCapitalInvestments)

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Email #2 – questions addressed in report

From: Christopher Joye
Subject: **Questions to be addressed in paper**
Date: 27 June 2021 at 10:11:27 AM AEST
To
Cc:

Here are some draft key questions to expressly address in your paper.

Please include each question in bold italics and provide a detailed analysis accompanied by a parsimonious final conclusion.

1/ *Is the Debt Retirement Fund being used for its publicly stated original purpose of reducing budgetary risk?*

2/ *Is the NGF's second community infrastructure fund being used for its publicly stated original*

purpose?

3/ Is investing the circa \$10 billion WestConnex first tranche sale proceeds, plus the expected \$13 billion of second tranche proceeds due to be realised in October 2021, in the Debt Retirement Fund's asset allocation dominated by equities and equity-like assets while concurrently compelling NSW taxpayers to raise large amounts of additional debt to replace this funding to pay for the NSW government's future cash deficits consistent with the intended purpose of the NGF to either repay debt or fund new infrastructure?

4/ Does the current use of the NGF's capital at a time when the NSW government is raising record amounts of debt and running record budget deficits, which are forecast to continue over the forward estimates, comply with the Fiscal Responsibility Act's requirements in terms of intergenerational equity?

5/ Is raising large amounts of NSW government debt to fund the Debt Retirement Fund consistent with its intended public policy purpose?

6/ Is the Debt Retirement Fund's asset allocation in its latest Annual Report and CPI + 4.5% return target consistent with the intended public policy purpose of repaying debt?

7/ Would it be more fiscally responsible, and consistent with the intended public policy purpose of the NGF, for the WestConnex sale proceeds in both tranche 1 and tranche 2 to be applied for either the replacement of additional gross debt issuance and/or the funding of the infrastructure investment program proposed by the NSW government, which is one driver of the large forecast deficits?

8/ Is it fiscally responsible and appropriate from a public policy perspective for an Australian state government that is running large budget deficits to raise large amounts of additional public debt that materially increase the gross debt burden of the State to invest in risky asset-classes such as global equities, emerging market equities, Australian equities, alternative asset classes including hedge funds and private equities, corporate bonds, loans and high yield, or junk, bond securities?

9/ What simple policy changes would you recommend to remedy any problems you have identified with the NSW government's current use of the NGF and its Debt Retirement Fund?

Christopher Joye
Chief Investment Officer

W: coolabahcapital.com

Podcast: coolabah.podbean.com

YouTube: [Coolabah Capital Investments](https://www.youtube.com/CoolabahCapitalInvestments)