

11 December 2002

Commonwealth Debt Management Review  
C/- Department of the Treasury  
Langton Crescent  
Parkes, ACT 2600

debtreview@treasury.gov.au

Dear Sir/Madam

On behalf of Salomon Smith Barney Australia, we offer our support and acknowledgement to the "CGS Market Industry Working Group" submission on the Review of the Commonwealth Government Securities (CGS) Market.

The CGS Market Industry Working Group submission has been prepared by and has the support of a wide-ranging group of industry bodies (Australian Bankers Association, Australian Financial Markets Association, Insurance Council of Australia, International Bank and Securities Association of Australia and Investment & Financial Services Association) and is supported by the two major financial market exchanges, the Sydney Futures Exchange and the Australian Stock Exchange.

The submission was also prepared by a number of financial market participants, including our own Head of Economic and Market Analysis and, therefore, in our view, clearly identifies and addresses the many vital roles played by the CGS market and the negative impact that the demise of the market would have on Australia's financial sector and the economy as a whole.

The submission mounts a strong argument to retain a market for CGS, with sufficient efficiency and liquidity to ensure the related financial system and the overall economy benefit on an ongoing basis.

The submission also provides a detailed analysis of the potential funding of the government's unfunded superannuation liability, Option 3, provided by The Allan Consulting Group. This analysis details the governance and budgetary factors associated with funding the Commonwealth's superannuation liability and forms an important part of the views of the submission.

For Salomon Smith Barney Australia, the "costs" of the demise of the CGS market is a concern we have had for a number of years and these concerns prompted us to prepare a confidential report "Managing Australia's Government Bond Market", that we presented to both Federal and State politicians and Treasury staff over late 2000 and the first half of 2001. While one of the specific recommendations in that report (ie. the amalgamation of the AOFM and the State Treasury Corporations into a single issuing entity) was rejected in 2001, we are very pleased to see that many of the concerns we raised at the time are now being discussed by the financial markets and the authorities and that the Treasury is now significantly involved in this issue.

# SALOMON SMITH BARNEY

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We, therefore, offer our support to and commend the “CGS Market Industry Working Group” submission to the Treasury Debt Management Review and look forward to remaining a key participant in the debate to ensure that Australia retains one its most vital financial market structures.

Yours sincerely,

Rob Thomas  
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Chief Executive Officer  
Salomon Smith Barney Australia

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Managing Director  
Head of Fixed Income  
Salomon Smith Barney Australia

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