

REPORT ON PROCEEDINGS BEFORE

**LEGISLATIVE ASSEMBLY COMMITTEE ON
INVESTMENT, INDUSTRY AND REGIONAL
DEVELOPMENT**

**PERFORMANCE OF THE REGIONAL INVESTMENT ACTIVATION
FUND AND THE REGIONAL JOB CREATION FUND**

International Hotel Wagga Wagga, Wagga Wagga, on Tuesday 20 February 2024

The Committee met at 9:15.

PRESENT

Mr Roy Butler (Chair)

Mr Stephen Bali

Mr Justin Clancy

Ms Charishma Kaliyanda

Mr Warren Kirby

Ms Maryanne Stuart

Mr Richard Williamson

* Please note:

[inaudible] is used when audio words cannot be deciphered

[audio malfunction] is used when words are lost due to a technical malfunction

[disorder] is used when members or witnesses speak over one another

The CHAIR: Good morning, everyone. Before we start I would like to acknowledge the Wiradjuri people, who are the traditional custodians of the land on which we meet here in Wagga Wagga. I also pay my respects to Elders past and present, and extend that respect to other Aboriginal and Torres Strait Islander people who are either present here or viewing the proceedings online. Welcome to the public inquiry for the Committee on Investment, Industry and Regional Development. I thank the witnesses who are appearing before the Committee today and the many stakeholders who have made written submissions. We appreciate your input in this inquiry. I declare the hearing open.

Professor SUJANA ADAPA, Head of UNE Business School, University of New England, before the Committee via videoconference, affirmed and examined

Dr ALFRED WONG, Senior Lecturer, Charles Sturt University School of Business, sworn and examined

The CHAIR: I welcome our first witnesses. Thank you both for appearing before the Committee today to give evidence. Please note that the Committee staff will be taking photos and videos during the hearing. The photos and videos will be used for social media purposes on the New South Wales Legislative Assembly social media pages. Please inform the Committee staff if you object to having photos or videos taken. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

ALFRED WONG: Yes, I have.

SUJANA ADAPA: Yes, I have.

The CHAIR: Thank you. Do either of you have any questions about this information?

ALFRED WONG: No, I don't.

SUJANA ADAPA: No.

The CHAIR: Thank you. Would anyone like to make a short opening statement before we begin the questions?

ALFRED WONG: Yes, I would like to. I will keep it brief. I am Dr Alfred Wong. I hold the position of senior lecturer at Charles Sturt University, at the Bathurst campus. My research and teaching principally involves the application of quantitative methods in investment management. I appreciate the opportunity to assist the Committee in its deliberation on the performance of the Regional Investment Activation Fund and the Regional Job Creation Fund. In line with the terms of reference, the submission I made last year attempts to specifically address two matters: firstly, the allocation of the Regional Job Creation Fund; and, secondly, its effectiveness in creating more jobs in the Central West and Orana regions.

The CHAIR: Thank you. Professor Adapa, do you have a short opening statement?

SUJANA ADAPA: Yes, please. My name is Sujana Adapa. I'm a professor of management and head of the University of New England's business school. We made a submission last year and looked at the terms of reference. While we discarded to make any comment on the allocation, administration, support and effectiveness of the Regional Investment Activation Fund and Regional Job Creation Fund, we made a submission highlighting the impediments to growth in regional areas and the challenges in the planning system. We also elaborated on the opportunities for regional and metropolitan councils, as well as other matters. I would like to elaborate on those things as I take questions from the Committee this morning. Thank you.

The CHAIR: Thank you. We will now move to questions from the Committee. Before we begin the questions, I wish to inform the witnesses that they may wish to take a question on notice and provide the Committee with an answer in writing. I'll ask the first question. This is probably directed to you, Dr Wong. Your submission identified a positive relationship between the Regional Job Creation Fund and the 2021 unemployment rates provided by the Australian Bureau of Statistics. Can you elaborate on your findings, please?

ALFRED WONG: Sure. What happened was I looked at the data for the employment rates for the period of 2021. And then, in relation to the data that I sampled through the Government's website, I was able to correlate a positive relationship, suggesting that there's a tendency for the fund administration to be allocated towards regions where the unemployment rate tends to be higher.

Mr STEPHEN BALI: Can I ask some questions in relation to that? Thank you, Dr Wong. Just building on that, just to show that there is a correlation between the alleged jobs versus the number, aren't there many other reasons why unemployment is formed? The year 2021 was the height of COVID, versus the 2023 results. There are a lot of alternatives, plausible explanations for why it happened. What we have heard is also that, from my understanding, a lot of these investment projects haven't actually generated the jobs. So it's difficult to actually say that the jobs in your table here—it has about 804 jobs identified. It doesn't mean that those 804 jobs have actually occurred.

ALFRED WONG: Absolutely.

Mr STEPHEN BALI: There are a lot of other alternatives for why unemployment is formed.

ALFRED WONG: Yes. With any kind of modelling, you have to make some sort of estimation and, therefore, assumptions that go along with that. The assumption is that you're expecting the grant recipients to fully deliver all their contractual agreements in accordance with what was agreed earlier on. Obviously, over time, whether that's going to come to fruition or not—only time can tell. In terms of your question about the possible other factors that might drive unemployment, surely that is a possibility. Obviously we need more data in order to answer that sort of question. At the time of doing my study, I was limited to the amount of data—namely only 28 businesses—that was available for analysis.

Mr STEPHEN BALI: Just a couple of things on top of that. First, just to explain some of the data that you've got in here in your table—table 1—was that from the department or was that one that you've put together in your submission? I notice a similar table with Professor Adapa's, as well. Is that a department supplied table?

ALFRED WONG: Yes. I've actually downloaded this data from the department's website.

Mr STEPHEN BALI: The jobs there says that net jobs are roughly 804, but in your report you talk about 902 jobs. There's a discrepancy between those numbers. The other thing, which is a question for both you and Professor Adapa, is that business 14, with only \$500,000 being invested—I wouldn't mind finding out who this "business 14" is—has a net of 606 jobs. Basically, 75 per cent of all the jobs that were created from this program was one business. If you're looking at the amount of dollars per job, in the table it's like a \$25,564 investment gets you one job. But if you take business 14 out, then it's \$100,000 per job. Does business 14 skew it? Assuming they employed 606 people, that seems to be skewing the results substantially.

ALFRED WONG: Absolutely, that's true. I think one of the reasons the skewness exists is because our sample size is only 28 businesses. Secondly, surely there is some kind of disparity in terms of the number of jobs created per dollar invested, in terms of the grant size. We definitely see that in our datasets.

Mr WARREN KIRBY: Just to respond to your response a little bit earlier, in the data you made the point that it was 28 businesses that you examined, and you used the term "expecting to". Is there "evidence of", or are you extrapolating an expectation rather than reporting on a realisation?

ALFRED WONG: My submission actually used the term "expected rate of return", so this is not realised.

Mr WARREN KIRBY: There's no realisation under this?

ALFRED WONG: It's not realisation. If we assume a full delivery of all the contractual job creation, we should expect X number of jobs to be created, as listed in the table.

Mr WARREN KIRBY: The report is based on assumptions and expectations of potential, rather than—

ALFRED WONG: Absolutely. It's potential.

Ms CHARISHMA KALIYANDA: Following on from that, what other factors may potentially influence the future prospects of this program and perhaps limit its efficacy?

ALFRED WONG: I think there are a number of factors. Initiatives and programs set up by the local governments in conjunction with the launch of these funds—also, population growth is another key disparity in terms of workforce allocation across different regions. If you look at this particular situation with Orana and the Central West, there are high counts of workforce in the Central West region, whereas Orana has about half of that workforce count. Therefore, there seems to be some kind of disparity, and so misallocation of funds can be another factor that could drive this program or the future success of this sort of program.

Mr JUSTIN CLANCY: Both for Dr Wong and Professor Adapa, I'd be interested more broadly in government support in regional manufacturing. Do you see a role for the financial support of manufacturing in regional areas by government?

SUJANA ADAPA: I can start, if that's okay with the Committee?

The CHAIR: Sure.

SUJANA ADAPA: I think it's firstly important to look into the nature and size of the businesses as well. We can't really assume one size fits all. In our research, we did do some sort of categorisation, looking into the nascent businesses within the region. And also, we looked into the established businesses, with growth as a criteria for those businesses. The third category was established businesses which showed some sort of plateauing. Their priorities were very different. However, most of the businesses did report that access to finance was the major challenge that these businesses were facing, followed by issues related to human capital. Also, retaining the skilled labour within the regional areas came up as one of the prominent thematic categories whereby the businesses were continuously spending a lot of money on transaction and training costs. That's turning out to be really costly for the businesses to retain the skilled workforce within the regions.

Added to that, where we have less control is the external shocks, particularly in the New England North West region. We had some sort of triple effect of these external shocks. It wasn't only COVID; it was followed by bushfires as well as a supercell event, which caused a lot of damage to the local businesses. There seems to be some sort of apprehension towards the regulatory and compliance frameworks, particularly by the businesses who have started off, like the nascent businesses. Everyone appreciated that some level of compliance and regulatory framework is really, really important; however, their frustrations were around the unimaginable amount of paperwork that's creating for the businesses. Simply, they're resource poor. I think if there is better coordination between the regional and metropolitan councils, some of these challenges could be addressed.

ALFRED WONG: I concur with Professor Adapa. I do not wish to make any further comments.

Mr STEPHEN BALI: Just building on those comments, Professor and Doctor, looking at grants like this, which was investing into job creation and expansion of businesses, I notice in both of your submissions that that doesn't seem to be really a major thing that government should focus on. It should be more looking at how to support small to medium sized businesses in regional areas to deal with compliance issues. That's where it seems to be a bigger cost impediment—and finance costs, et cetera, or knowing what the regulations are, and giving money to select businesses for starting up a new part of their business. We've noticed in some of the submissions—and some of the people have talked about this—they couldn't get their project off the ground because of the compliance and the delays.

Rather than investing directly into a new production line or something new, do you think that we should be trying to work out potentially how to support businesses in dealing with compliance? Red tape is both a good thing and a bad thing. Red tape stops anyone just starting off a business and creates a level playing field, but it's a matter of knowing how to deal with red tape and not allowing it to tie you up completely. Do you see there being more of an advantage to putting money into supporting councils and economic development agencies to support businesses, or should we keep looking at investing in picking winners of different productions out there, if that makes sense?

ALFRED WONG: Yes, absolutely. I think compliance is absolutely essential in terms of governance, but there comes a cost in terms of all the paperwork and all the processes, delays in processing of documents and so forth. Definitely there is value in investing in this sort of infrastructure or any kind of administrative support that would facilitate the flow of this sort of documentation and so forth. Absolutely, this would definitely reduce any unnecessary delays in the process of, for example, financing, so that the business can actually get started sooner than later.

SUJANA ADAPA: Can I add something, please? Thank you, Dr Wong. My observation here in the New England North West region is that the migrant entrepreneurship is growing. It could be the aftermath of COVID whereby there has been population growth in the regional areas. I think it's a decision made by people living in metropolitan cities moving into the regions for various reasons. When the migrant entrepreneurship is growing, it's good for the economic development as well as the economic growth of the regions. However, these people's understanding of how the business environment works in a different context is totally different. We're also seeing the trend that more and more women are entering into the businesses, and there seems to be a lot of growth in the family owned businesses as well.

They all have some sort of unique challenges and opportunities. While I mentioned before that the compliance and regulatory environments were all appreciated, probably these are businesses who need more targeted workshops on where to find business support, where to find information related to access to finance, and how to adhere to timelines in terms of appreciating the opportunities around access to finance. In my view, I think if the Government can liaise with the local councils or the regional incubators or accelerators and then run targeted workshops or conduct seminars, that would be quite helpful.

Mr STEPHEN BALI: Thank you for those responses. The Chair and I were just exploring what you were saying. Before I get to my question, what you're saying, if I'm interpreting it right, is that you get more bang for your buck if we actually support people, especially with the growth of multiculturalism—people have come from different cultures, different countries in the world and different regulatory systems—to get them up to speed on ours. Women in business, family businesses—more needs to be spent on that, rather than picking winners of a production line and helping one production line and one company. We can help a lot more businesses to get started in it.

One last thing is that we were talking about—and this is an advertisement for your respective universities, I suppose. One of the challenges is having skills out in the regions. Do you know, roughly, of those who go to the wonderful University of New England or Charles Sturt University—especially the School of Business. It's one of the best schools around, I reckon. I came from the School of Business years ago. Are you finding the retention of people that live in the regions and go to your local universities—do they stay in the regions? Or, after they get their degree, do they go to Sydney metro? How do you find retention of students in your hometowns?

SUJANA ADAPA: Thank you, honourable MP Mr Bali. This is a challenge that we are facing, and I'm sure you must be well across this information on the retention of students. Yes, lots of students from our region particularly move to Newcastle and then to Sydney. But the other way around, we are getting students more from the Sydney metropolitan region to study in our university, apart from the regional students, who pick up courses like agriculture and agribusiness. Those businesses in the region are booming, particularly some sort of integration of technology in the area of agribusiness. Having said that, Armidale is an education town because of the location of the university. I think 52 per cent of the population has a bachelor degree, whereas 110 kilometres from us—Tamworth—the education percentage, let's say, a higher education qualification is only 15 per cent.

We are in the process of offering—we have received the State Government funding to start a campus in Tamworth. I think this is before me, before I joined UNE, it has been a long-time wish for the Tamworth community to have a stronger presence of university in their town. So 2026 we think the building will be ready and we will be offering more targeted courses without cannibalising the Armidale campus, and then offer something to the community. We are working with the steering committee members at the moment. What we heard from the local businesses and students who complete their courses, be it undergrad or postgrad, at UNE is that they do move away from the region. But we also noticed the trend that after five years, after 10 years, they have that strong regional affiliation and they value the region in which they have grown up. They want to contribute and give back to the community. Ten years or five years later, they are coming back to the region and then finding work or establishing businesses. They have showcased strong communitarian values. Thank you.

ALFRED WONG: Thank you, Deputy Chair, for the opportunity to say something about my university. From the Charles Sturt experience, we have two different cohorts. The online cohort students can study from anywhere and everywhere. Students who study in that particular mode are in fact students from, for example, Sydney, or they could be from Western Australia, and so forth. In terms of employment, they work anywhere and everywhere. They also come onto campus, though. They actually study with us face to face and, upon completion of the degree, they usually stay around the region. Some of the contacts I have, suggest students that I previously taught are working, for example, in Lithgow, and they stay in Bathurst. It's about 50 minutes commuting time. So, yes, businesses around that region have a great deal of demand for skilled labour—for example, accountants, financial specialists and so forth.

The CHAIR: We probably have time for one more quick question.

Ms MARYANNE STUART: May I ask two quick questions?

The CHAIR: Yes, sure.

Ms MARYANNE STUART: First of all, Professor and Doctor, thank you so much for your attendance today and for being here with us. Yesterday we spoke to a business locally here who said that the wages that are paid to apprentices are considerably less here than if it was an apprentice in Sydney. My question, as academics in the School of Business, is: Are wages a concern when you're looking at regional parts of New South Wales? The second part of my question is: Do you, as universities, work closely with TAFE in your regions? We just heard skills in accountants—skills as in trades based, as well? Do you work together with them to pathway from TAFE to university as a student, or the other way around, to get practical experience in our wonderful TAFEs in New South Wales?

The CHAIR: We'll just need to keep the responses fairly tight.

ALFRED WONG: Okay. Maybe I'll answer the second question first. In terms of skill, I think it's absolutely critical to have financial knowledge and accounting skills, for example—business knowledge. Essentially, in the regional area I think the advantage we have is that the cost of living is a lot less compared to

the city metro area. Therefore, wages may not be a primary concern. However, in the regional area I think we have the advantage of gaining a lot more experience. For example, we have many sectors and industries in these regions: construction, manufacturing, agriculture and so forth.

So there is plenty of exposure for students that actually have all of this knowledge. Even though they are getting less wages in the regional area, I think the advantage of that is that they have great exposure to different types of industries, sectors and so forth, and that will be very, very good for them in the longer term, in terms of practice. I think that was your first question. Forgive me, what was your second question?

Ms MARYANNE STUART: It was around TAFE. Do you work with TAFE?

ALFRED WONG: Yes, of course. We do have pathways. The way it works is from TAFE, you then apply to get into the university, should you want to continue your studies to have a bachelor degree and a master and so forth. We do have that pathway.

The CHAIR: I'd like to thank you both for appearing before the Committee today. You will each be provided with a copy of the transcript of today's proceedings for corrections. The Committee staff will also email any questions taken on notice—I don't think there were any taken on notice—and supplementary questions from the Committee. We ask that you return those answers within 10 business days of receiving those questions.

(The witnesses withdrew.)

Ms KATHY RANKIN, Acting Head of Policy and Advocacy, NSW Farmers Association, before the Committee via videoconference, affirmed and examined

Mr JOHN LOWE, Chair, Business, Economics and Trade Committee, NSW Farmers Association, sworn and examined

The CHAIR: I'd like to welcome our next witnesses. Thank you both for appearing before the Committee today to give evidence. Please note that the Committee staff will be taking photos and videos during the hearing. The photos and videos will be used for social media purposes on the New South Wales Legislative Assembly social media pages. Please inform the Committee staff if you object to having photos and videos taken. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

JOHN LOWE: Yes.

KATHY RANKIN: Yes, thank you.

The CHAIR: Do either of you have any questions about this information?

JOHN LOWE: No.

KATHY RANKIN: No, thank you.

The CHAIR: Would either or both of you like to make a short opening statement before we begin with questions?

JOHN LOWE: Yes, I have an opening statement. I'll have to read it because I'm not very good at memorising things. Thank you for the opportunity for NSW Farmers to appear at this hearing. The continued growth and economic sustainability of regional New South Wales and agricultural production is of significant interest to farmers. We seek an environment with a focus on the development of regions that benefits existing businesses and establishing business opportunities. Agriculture is an economic engine industry. Farmers across the State produced more than \$23 billion in 2021-22, or around 25 per cent of total national production. The sector contributes significantly to the State's total exports, directly employs almost 2 per cent of the State's workers and supports roles in processing, manufacturing, retail and hospitality across regional and metropolitan areas.

As a sector that traditionally requires significant land use for production, it is critical that regional development recognises the critical importance of maintaining prime agricultural land and minimises land use conflict. Non-agricultural development in regional areas can result in a loss of productive capacity and potentially a loss of food security. NSW Farmers is not opposed to development; however, our contention is that a more holistic approach to development must be prioritised. We note the opportunity to attract new enterprises, but without an equal prioritisation of the enabling environment, the benefits are at risk.

NSW Farmers' research, included in our submission, highlights the need for a holistic view of economic development for regional New South Wales through mutually beneficial opportunities for agriculture and regions, including investment to improve and/or incentivise new business attraction and retention in the long term, developing capacity in the people, supply chain and technology. Given the importance of the above enablers, NSW Farmers encourages the Government to ensure that there is well-targeted stimulatory spending which maintains stability in the agricultural sector and increases job opportunities. Thank you.

The CHAIR: Thank you. Ms Rankin, did you have a short opening statement?

KATHY RANKIN: No. Thank you, Chair.

The CHAIR: Thank you very much. We will now move to questions from the Committee. Before we begin the questions, I wish to inform witnesses that they may take a question on notice and provide the Committee with an answer in writing. I'll go first with a question. My question is to either or both of you. Speaking about what the New South Wales Government can do to create an environment that generates more economic activity in regional New South Wales, do you think that's around policy settings, or do you think that's around stimulatory spending, or both?

JOHN LOWE: I'll probably have a crack at this for a start. Kathy, please feel free to jump in if you feel it is necessary. I'd say it's probably a combination of both. We have to be very careful—I think it's been detailed before—as to how we pick winners. Unfortunately, the way I see it is that the finance department in government generally wants to fix things up or improve things after there's a definite demand and there's a lack of services in an area, whereas if you're trying to get a skilled workforce and development in an area, sometimes you have to have those services there in advance.

If a business is trying to develop in a regional centre—let's say Parkes or Forbes—it needs to be sure that the transport corridors are adequate so they can get their materials in and their product out. Also, they might need to be sure that there's a skilled workforce. They might be looking for people with financial skills or making sure there's a suitable education system to support the families of the people they want to get there. When those prospectives turn up and they find the schools not up to scratch, as far as they're concerned, that there is one-year waiting list to see a doctor or that they can't find an accountant to do their books, they might say, "Too hard," and that's a detriment to everyone.

The CHAIR: Thank you. Ms Rankin, anything to add?

KATHY RANKIN: Yes, if I may. Just to extend what Mr Lowe has raised, I'd just like to speak to a specific issue potentially around policy but also stimulatory. For the skilled workforce for agriculture, we have had in place for a number of years a targeted program called AgSkilled, which is led by industry to identify short courses and qualifications that would build the capability and retention of people in the agricultural workforce. Those sorts of small programs, coupled with larger programs around physical infrastructure development, are the things that we are talking about that we did in our research. You need to have things there as the short enablers and hooks, as well as the larger, long term initiatives. Thank you.

Mr RICHIE WILLIAMSON: To Mr Lowe or Ms Rankin, yesterday in the site visit we heard the challenges around the movement of freight from farm gate intrastate or international, overseas. Obviously that is a major challenge for your industry. I was just wondering if you can provide any more insight into that or other challenges that your members are reporting back to you with regard to economic development.

JOHN LOWE: I'll start, and I'm sure Kathy will add to my comments. Freight transport corridors are something that we feel are very inadequate at the moment. We've gone through a period where there have been extreme climatic events, which has made it more difficult, but even some of the repairs that have been done on our road system are not up to scratch. They're falling apart and they're quite dangerous. I have been in numerous situations where the repairs are of such a state that you would be reluctant to drive a car through, let alone a truck. If there are vehicles coming toward you, you're looking for a terrible accident if someone's going to try to save their vehicle. I have the hugest respect for truck drivers at the moment trying to negotiate some of the regional roads. They're very hard work. The amount of deformation in the roads and road surface break-up makes it extremely fatiguing and very difficult for truck drivers to operate efficiently.

We've also got a situation where through the Central West—I know more about that than some other areas—the closest route into Sydney through the Blue Mountains does not allow high efficiency vehicles. B doubles can't get any closer than just west of Lithgow. I see that as a major impediment to efficient road freight. The rail system over the Blue Mountains is choked with passenger trains, and there is difficulty in getting freight through efficiently, as well—not to mention the problems with the ports, which is probably moving outside this brief. We've got major concerns with the efficiencies of our road and rail transport. One is just the lack of repairs,

and we're looking for some direction to see how we can get better outcomes going forward. We see a direction and a plan that's more than one government term.

Ms CHARISHMA KALIYANDA: I'd like to thank both Mr Lowe and Ms Rankin for attending today. Throughout your submission, as well as your opening statement, you referenced the term "well-targeted". You also highlighted the importance of, rather than throwing large amounts of money at a problem once it is significantly impacting people, forward planning and being proactive about addressing issues before they occur. In your views, how can Government work more effectively with industry and with other stakeholders to better target resources and to focus on that forward planning aspect of things?

KATHY RANKIN: One of the things that NSW Farmers has identified is the critical importance of working effectively between the local government level, the State Government level and the Commonwealth Government, and that applies particularly around infrastructure, as John had previously been speaking about. Getting efficiencies in terms of financial and project work—government provides a pipeline that is proactive and looking forward and underpins economic development aspirations within the regions, which is primarily the case [audio malfunction] putting together an application for grant funding and funding that then has to be considered and then provided back.

Getting some greater streamlining, within some very strong parameters around what is and is not in scope, would be really helpful in helping to get some of the work [audio malfunction]. We also know that there could be a better opportunity of working with the State Government and the Federal Government on major infrastructure pieces, particularly Inland Rail and building the interconnectivity in New South Wales and building up the capacity to a 25 tonne axle load limit across the regional rail freight network.

Mr WARREN KIRBY: You touched on this a little bit earlier, Mr Lowe, about the broader challenges with rural living: doctors that you need to wait a year to see and schools that may not be up to people's expectations. In both of your opinions, what would be required to make a more attractive environment for people to move to regions to establish secondary industries to farming? I know the figures you quoted of 25 per cent of production but 2 per cent of State employment. All of these places require surrounding industries to support the core industry—in addition, obviously, to the basic infrastructure. In your opinions, what would be the kinds of investments that government could make to make a region more attractive for people to live in?

JOHN LOWE: Well, it's not easy and it's complicated. That's a bit of a cop-out. We probably need to try to work towards a better synergy between State, local and Federal infrastructure spending, for a start. At a local government level, a lot of our local regional councils are struggling deeply with poor funding models. That has to be addressed, together with the responsibility of who's doing what. How we put that all together—I would struggle. My skill is in sheep and cattle—I'll have to say that—and I don't pretend to be able to tell the experts in planning how to do their job. We see difficulties in the transport corridors, in communications. We're still very much the poor relations when it comes to the digital age. Trying to deal with the technology in regional areas is difficult. There are improvements coming, but it is something that can be a dealbreaker when you're looking at new and emerging industries going forward.

It's the paraphernalia that goes around doing business. It's back to schools, road transport, encouraging an environment where professionals think this is a good place to live and, in some of the smaller regional centres, having it so there's more than one doctor's surgery in town. It's a very difficult thing where you've got one doctor who wants to leave because he's the only one there when you need to probably have 10, so it's a more pleasant place to live and there's professional development and professional support. I'll hand over to Kathy to fill in the gaps.

KATHY RANKIN: Thanks, John, and thank you for the opportunity. If I may, I have three things that perhaps could respond to your request. Housing is absolutely critical, and improving the planning system and supporting greater diversification of, perhaps, increased density housing in some of those regions so that it's actually around the liveability. The second thing I'd like to mention is looking at how we may be able to improve regional migration. John mentioned doctors. We know that there may be an opportunity to increase the attraction of migration for doctors coming into regional areas, and that could be another opportunity around improving the policy settings for regional migration.

The third thing is, as John has also mentioned, telecommunications. We know that's primarily a Commonwealth Government responsibility, but if we don't have good support for technology that is actually going to be able to deliver the connectivity that remote workers may be able to use in order to better support new industries, that's a challenge. I highlight the example with the NBN—fibre to the node. When that goes out into regional areas, there's a significant distance in trying to connect to a fixed point in a house, particularly when you go out into those regional areas. A statement around an expectation of fibre to the node, for example, might mean

something very different for a small regional community than it does to the farming community that sits around the community and around that node.

Mr WARREN KIRBY: In your submission you also say that it can be detrimental if spending is in the wrong way. Would you go so far as to say that investing in the suggestions that you've just made would be a better use of State funds than picking winners?

JOHN LOWE: I'd say, generally, yes. To develop the infrastructure of business, there's not an unlimited source of funds. I understand that. As farmers, we often deal with the problem of land use conflict, so we're back to maybe having the suggestion that some of the urban centres may need to constrain their footprint, for want of a better description. We're also dealing with the problem of land use conflict with the renewable energy industry. That has been something that's been causing a great deal of contention with our membership, not only the installations themselves but the transmission lines that go through and how they may be actually constraining further development of rural properties. I'm not sure that I'm actually answering your question or not. Generally, picking winners is difficult unless you can see where there's a specific point where that area needs to be developed. I believe Parkes, with the Inland Rail and a potential hub off the Inland Rail system there, would be an obvious choice. But there will be other towns and centres that may have areas and aspects of them that would benefit from a little bit of stimulus to bring them to an equal footing with some of our larger metropolitan areas.

The CHAIR: We have three questions that need to be asked and we've got about five minutes left, so if we could tailor the questions and the responses to that time frame, that would be great. I will start with Justin, please.

Mr JUSTIN CLANCY: Very briefly—and two parts, please. One is the importance, for regional communities, of diversifying—so, regional towns and communities having a diverse income. Agriculture plays a large part, but do you see the importance of diversity to sustainability? The second question is: The Commonwealth has a \$15 billion National Reconstruction Fund. Is it your hope that some of that funding will be targeted towards regional areas, in terms of picking winners?

JOHN LOWE: It'd be disingenuous to say that I didn't want to see money spent in the regions. I think that would be really good. Absolutely, a diverse economic base in any regional centre is going to give that area much more strength to survive economic downturns, whether it's seasonal issues in agriculture or downturns in other parts of the economy. The more diverse you can have it, the more chance that town or regional area will survive adversity. Has Kathy got time to add?

The CHAIR: Very quickly, if you'd like to add something.

KATHY RANKIN: Yes, I wouldn't mind. Thank you. You mentioned in the question sustainability, which I'm taking to mean transition to renewable energy. NSW Farmers sees value in the range of opportunities available within that footprint. However, one of our concerns is the way that it's being progressed and the importance of making sure that we don't lose agricultural capacity and capability for a renewable footprint. We're cautious but welcome diversity.

Mr JUSTIN CLANCY: Just for clarity, it was sustainability in the community itself, not the pathway to renewables.

KATHY RANKIN: My apologies.

Mr STEPHEN BALI: More of a policy issue, Ms Rankin. If you had a choice of what to do with \$120 million, would you be more interested in targeted programs on sustainable, long term investment based on community need, or would you spend \$120 million on finding individual businesses to do individual things?

KATHY RANKIN: I don't believe it's one or the other. I think it's a way of connecting both of those two together. The important thing about regional development, for me, is about stimulating innovation, and underpinning and supporting new idea generation. While we talk about agriculture, we're often producing raw product and sending it out of a region. One of the opportunities is how we might be doing some value adding for agriculture within that particular region. That comes back to the interaction with local government also looking at their development plans in terms of the State Government [audio malfunction] as well. Stimulation and support doesn't only mean money. In my perspective, it means the enabling regulatory environment as well.

The CHAIR: Thank you. I think we might have two questions over here still, so we're going to have to move very quickly, please.

Ms CHARISHMA KALIYANDA: Some of the challenges that we've been discussing are not new, and they're not unique to Australia. For example, we've had a program to prioritise regions for migration of health

professionals in particular for several decades. In both of your views, why are we still in this place? Secondly, what lessons can we take from other nations which deal with similar challenges as to how to tailor our programs?

JOHN LOWE: I am probably not the person to give insight into the problems of health professionals. I do find it odd that a nation that has the inherent wealth that we have still has to effectively poach health professionals from developing countries. I think that has some moral and ethical issues in its own right. Taking it down a notch from health professionals, I think the problem with vocational training within small regional centres is a major issue. The lack of short courses that used to be run by TAFE that give people a taste of some trades and skills—I think that used to be a fantastic thing. I'm trying to be quick, but there used to be a course called rural welding. Farmers and farmers' sons could go and get a taste for that and then decide whether it was a trade they wanted to get involved in. I think those sorts of things are very useful at a whole number of levels. If Kathy's got time to add to that—

The CHAIR: We have very little time, but have a go, Kathy, if you like.

KATHY RANKIN: Thanks. The only example I would give is the opportunity for additional housing and agritourism. That's a way of starting to stimulate both a retention of agriculture and a growth in tourism activity into a region. They might be simple examples of doing things in partnership and looking collaboratively. Thank you.

Ms MARYANNE STUART: In your opinion, has the Regional Job Creation Fund been effective in creating and supporting sustainable employment and providing training opportunities for farmers' sons and daughters?

JOHN LOWE: Can I pass that on to Kathy? I'm sorry, I don't have the information for that one.

KATHY RANKIN: I'd like to take that one with a grain of caution. As agriculture, we haven't actually been a sector that has been able to tap into that job creation fund terribly well. I think that's why we have been talking about the importance of training and building the local skills development so that we can both attract and retain people within the agriculture sector and support them from there.

The CHAIR: Thank you. Folks, we're out of time. I'd like to thank you both for appearing before the Committee today. You will be provided with a transcript of today's proceedings for corrections. The Committee staff will also email any questions taken on notice from today and any supplementary questions from the Committee. We kindly ask that you return those answers within 10 business days of receiving those questions.

(The witnesses withdrew.)

(Short adjournment)

Dr MAIA SCHWEIZER, Chief Commercial Officer, SunDrive Solar, before the Committee via videoconference, affirmed and examined

Mr ANDREW OATES, Business Adviser, Ironbox Pty Ltd, affirmed and examined

Mr JOHN WELSH, Chief Executive Officer, Applied Virtual Simulation, before the Committee via videoconference, affirmed and examined

Mr GRAHAM WHITE, Sales Support Officer, Applied Virtual Simulation, before the Committee via videoconference, affirmed and examined

The CHAIR: I'd like to welcome our next witnesses. Thank you for appearing before the Committee today to give evidence. Please note that Committee staff will be taking photos and video during the hearing. Photos and videos will be used for social media purposes on the New South Wales Legislative Assembly social media pages. Please inform the Committee staff if you object to having photos and videos taken. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

ANDREW OATES: Yes.

MAIA SCHWEIZER: Yes.

GRAHAM WHITE: Yes.

JOHN WELSH: Confirmed.

The CHAIR: Thank you. Do any of you have any questions about this information? No?

JOHN WELSH: No questions.

The CHAIR: Would anyone like to make a short opening statement before we begin the questions?

MAIA SCHWEIZER: Thank you, Chair, for the opportunity. I will keep it brief. SunDrive is a solar technology company born out of the cradle of UNSW, which is indeed the cradle of most solar innovation around the world. We've developed a technology that has the potential to both create viable business in Australia in solar manufacturing but also help Australia to reach its superpower renewable future. In this statement I'd like to briefly recognise that government support is essential to early stage businesses like ours and to keep this technology in Australia, and in particular to highlight that, in addition to the type of direct financial support that the Regional Industrial Activation Fund and others support, there are a couple of other essential mechanisms for support for businesses like ours. One is the Government using its purchasing power to support local manufacturing and industries. We know that in New South Wales that will require [audio malfunction] of the competitive tendering of aggregated government demand, for example.

I'd like to congratulate both Minister Houssos and the New South Wales Government for the creation of the new portfolio of Domestic Manufacturing and Government Procurement. We're eagerly looking forward to progress in that area, as well as support with planning and approval, hiring time frames, [audio malfunction] and many other topics our and other submissions raised. Finally, I'd like to recognise the office of regional economic development of the Department of Regional NSW, which is essential in helping us [audio malfunction] and young businesses to navigate the available support in New South Wales to make our business successful and contribute back to the State. They're really fighting to bring investment to the regions, and we wanted to recognise that effort. Thank you for the opportunity to provide a statement.

ANDREW OATES: I'd just like to thank you for seeking feedback regarding the effectiveness of the recent regional development initiatives. I hope my submission made it clear that our experience with the New South Wales development team was very positive. We've tried with Victoria and it was far more positive than Victoria, so that's a bit of a pat on the back for you guys. However, what let us down was the alignment between that and local government. We found that the bureaucracy really tripped us up. Perhaps we were unlucky because it was during COVID; however, I fear not. Another local business that I was talking to recently that operates on both sides of the border also said that they've had these sorts of troubles in New South Wales, and they're looking to relocate their business back to Victoria because of it. I fear that this is a little bit of an endemic issue. I trust my suggestions in the "learning" section were taken as constructive feedback—and having a way to be able to better align the layers of government to deliver it as a service for businesses, instead of businesses being a service to government.

The CHAIR: Thank you. Mr White or Mr Welsh, do you have a short opening statement you would like to make?

GRAHAM WHITE: AVS is a simulation based company operating out of New South Wales. As part of the RJCF, we were able to expand our manufacturing capability. We found this process to be quite interesting when it comes to our defence oriented nature, where we're reliant on government tenders. I just want to make sure that the involvement of everyone in this process was acknowledged as being very, very good.

The CHAIR: Thank you. Any other short statements, or are we right to move on to questions? We will now move on to questions from the Committee. Before we begin the questions, I wish to inform the witnesses that they may wish to take a question on notice and provide the Committee with an answer in writing. In regard to a first question, I suppose this is probably relevant to SunDrive. Did the ceasing of the Regional Investment Activation Fund—how was that done? Was it communicated well to you? Could it have been done better?

MAIA SCHWEIZER: Thank you for the question. I think one of the points of feedback that we would have is that the process was not incredibly transparent. We are a small and very resource light organisation at this early stage. I believe, after the submission that we made, we did not hear anything further about the program until we heard of the cancellation. Of course, for us, the clarity of planning to access funding like what was available through the RIAF is essential to us taking investment decisions, including planning for future growth and, in particular, the siting of our first factory on Australian soil. And there was a significant lag between our submission and the next date that we had, which was, in fact, the termination of the fund.

Mr JUSTIN CLANCY: Could I just follow that? Has Regional NSW or Investment NSW reached out with regard to further opportunities or alternative grants for funding?

MAIA SCHWEIZER: Yes. Again, I would really like to recognise that the work that Regional NSW does is particularly valuable to us, not having lots of resources to keep track of these things ourselves. Indeed there are funds, like the renewables manufacturing fund specifically, which could also be really material opportunities to support SunDrive's early stages of growth. In terms of connecting us with those opportunities and making sure that they're on our radar, and even supporting us through the application process, the office of regional economic development in the Department of Regional NSW has been particularly helpful.

Mr JUSTIN CLANCY: Can I just ask a follow up question to Mr Oates as well? I'm interested in your experience. You mentioned that you were in conversation with the Victorian Government as well. I'd be interested in your experience there. Were financial contributions towards capital or equity part of the conversations there? What support was given to attract your business there, please?

ANDREW OATES: The real issue with Victoria is the conversation; it's very, very hard to initiate. With New South Wales, going through the local council—they were very helpful. They directed me to Regional Development, and the Regional Development team was fantastic. In Victoria, they won't talk to you. I found engagement very, very difficult.

Mr JUSTIN CLANCY: So engagement was there. And then, in terms of support processes or support on offer for your business—

ANDREW OATES: The support for New South Wales, I think, is slightly better than some of the Victorian support. Your people definitely are a lot better. Sorry, I forgot the other half of the question.

Mr JUSTIN CLANCY: It was in terms of part of the incentives for your business.

ANDREW OATES: I think the incentives are actually better in New South Wales than the Victorian ones. And, because you actually hear back, it makes it quite useful for business. If a business doesn't hear anything in a couple of months, you assume things have just died. We've actually done that in Victoria—put in submissions and just heard nothing for months. You say, "How do you interpret that?" You can't run a business with that level of uncertainty. You just have to have some certainty in your business, so you have to take those assumptions out and find another path.

Mr STEPHEN BALI: I have two questions, one to Andrew. I'm looking through your submission. It says that you abandoned the project. Did you receive funding and you had to refund any of that?

ANDREW OATES: We're still working through the refunding of it but, yes, we're refunding. We received an initial payment and we're refunding that initial payment.

Mr STEPHEN BALI: The abandonment of the project—was that because you didn't get the council approvals? Is that what I'm reading?

ANDREW OATES: The approvals were just taking far, far too long. They were dragging on and on, and there was no certainty. The problem for us—because it was well over 12 months to try to get the approvals and there was still no light at the end of the tunnel, there was too much uncertainty. We said, "We just can't deal with this level of uncertainty. We need to do something, from a business perspective, now."

Mr STEPHEN BALI: Are you still going through the council approvals but just stopped this part of the project—

ANDREW OATES: No.

Mr STEPHEN BALI: —or have you abandoned the whole thing?

ANDREW OATES: We've actually bought another site in Victoria that opportunistically came on the market.

Mr STEPHEN BALI: Therefore, you can't access the New South Wales—

ANDREW OATES: Therefore, we can't access it. We needed the certainty and the closure for the project.

Mr STEPHEN BALI: For our video guest stars up there, I notice two different businesses, but I'll ask the same style of question. I believe your two projects, or your project each, are still progressing. Maia is involved with the University of New South Wales, et cetera. Students get a HECS debt, a grant from the Government that partly pays for it, and they've got to pay it back. I'm just trying to use that mentality, or an aspect of it. If the Government's giving a reasonable amount of money to start up your business or provide the capital so you can take a bit of a risk—obviously there's a lot more to be thought through here—is there some type of social obligation, arguably, that if you become a success from this business, there's a little bit of a trailing fee that goes back into a fund that allows other businesses to start up, if that makes sense?

Do you see that there's merit, as far as a social capital aspect goes? Instead of the Government just handing out money to a business—you benefit from it, you take off, and yet the money comes to an end. We've got to find more money somewhere else to invest into the next business, but you're now in a profitable position. I'm not going to ask for the money back if you're not making a profit or anything. But if you're generating more sales—like HECS, if you get to a certain profitable level or a certain income level, a small percentage comes back to the fund to continue to sustain the fund into the future. Do you see any merit in that?

MAIA SCHWEIZER: I'm happy to take that first. Thank you for the question. For us, I'd offer three reflections in response to that. First, our project is continuing, but we have not yet selected a site. We've just reached a point of the priority of choosing a site within Australia and between Australia and other jurisdictions that have clearer [audio malfunction]. For example, the United States has a fantastic renewable encouragement [audio malfunction] the production Act. Our ultimate site selection still depends on government support, so we [audio malfunction] but we have not yet taken a decision about where that will happen. To the question of value given and returned—perhaps two points on that. First, we would expect, through the creation of [audio malfunction] manufacturing facility could employ up to 500 highly skilled workers in that advanced manufacturing facility. We would expect to generate direct returns in terms of [audio malfunction] for clarity over future jobs for really skilled workers and, of course, our economic activity. The second point is also that I'm not aware government has [audio malfunction]. For instance, the National Reconstruction Fund is set up to [audio malfunction] and, of course, a signal to private capital investors of government support and intent [audio malfunction].

The CHAIR: Excuse me, Dr Schweizer. Can I just pull you up there? I don't know if it's possible to get a bit closer to your microphone. You're fading in and out, and dropping out a little bit occasionally. Can we try that again? Not from the top, because we got most of it, but—

MAIA SCHWEIZER: I'll just visit the last point, which is probably the most directly relevant. Businesses like SunDrive really welcome the investment of equity from the Government into our business. For example, the National Reconstruction Fund is set up to do that directly. At that point, the Government is a direct investor in us and, as we grow and succeed, the Government gets a return on the equity that's been invested. It has the side benefit of being an incredibly strong, positive signal to private investors, as well. To grow an industry and launch a new technology—private investors know that takes government support, and there's no stronger signal than the Government directly investing in businesses like ours. In addition to the financial returns, there's also a real signal to private capital there as well, which we would welcome.

ANDREW OATES: To comment on that, businesses like ours are very capital intensive. To grow, we need capital. If we're successful, the Government will make a lot of money with taxation, et cetera, and revenue streams that come in. Now, I realise there's a difference between State and Federal, and I realise there are some funding issues like that. But really, as we succeed, you should succeed too. I think we should both grow together. I think that helping businesses get started, the capital that they'll use—they don't just go and buy a yacht or something. We're going to reinvest that into our business all the time to keep our business growing. That's the idea behind it. Any additional stuff that you're paying out will then taper off that growth because you need the capital to grow, so I think it depends on what you're trying to achieve.

Also, as businesses succeed, they will naturally bring other businesses along with them. That's typically what happens: A rising tide floats all boats. So I'm not sure that additional taxation or additional taking of funds back out once they know they're going to survive is perhaps the best tactic, because you want that business to keep going and keep thriving and keep growing. That's my opinion.

The CHAIR: Mr Welsh or Mr White, would you like to answer that same question?

GRAHAM WHITE: I think that the other attendees have covered quite thoroughly the idea that we will return a series of the money through, essentially, increased industry. But one of the areas that I think AVS has quite a unique view on is, because we operate within the defence space, a lot of our work comes through tenders and contracts with the Commonwealth Government. As part of doing that work, we have to look at our supply chain being Australian. We have to look at the impact that our project is going to have on Australian industry capabilities—that we're going to be increasing our sovereign capabilities.

I believe that a lot of the capital investors within this project will, particularly for us but even for everyone else who just continues to work and expand within Australia, within New South Wales—I believe that the return will be there. I also believe that there's an area that is potentially being overlooked here, and that is the addition of skill increases within the industry. As part of our expansion we bring in a large group of people from manufacturing, for programming, for design and as far as the investment goes, even though the money was spent on a facility, that facility then facilitates an expansion of the workforce and therefore a return.

Mr WARREN KIRBY: If it was offered as an interest-free loan or very low-interest loan, would you take up the money?

ANDREW OATES: For us, no, because we've got access to other moneys—another way of getting finance that, up until now, has been relatively affordable. Now money is becoming a little bit harder to get. Perhaps, really for us, we're trying to use our earnings to profit out, to fuel our growth. We would just grow at the rate that we could afford to grow.

Mr WARREN KIRBY: If you were able to get money that could be paid back—before doing this, I was growing my own business. So my natural question is, why should the State Government back you if you are not backing yourself to pay that money back?

ANDREW OATES: We're going down those avenues first before we talk to the State Government, because it's a lot easier to go and get money, typically, than go through application processes and all of those sorts of things. There's quite a level of investment. You have to put in your own time to do that. Typically, it would be easier to get it through other channels.

Mr WARREN KIRBY: But you would not do that; you would rather go through the grant system?

ANDREW OATES: Yes.

Mr RICHIE WILLIAMSON: My question is an open question to all four witnesses. Yesterday we were at a business, Flipscreen, in Wagga Wagga. What I took away from that was that without this type of investment their project probably wouldn't go ahead. What I want to delve into is your thoughts on how the program has activated your industry or, more broadly, the economics of regional New South Wales. Has it been positive in your experience?

ANDREW OATES: I'll let the others go.

Mr WARREN KIRBY: Maybe not yours.

ANDREW OATES: No, but even for ours it really gave us the drive to say, "Let's go and buy a block of land, and let's go and build this—invest." It was a drive to do that. Once we decided to do it and couldn't execute it, then it became a business problem. That was our issue.

The CHAIR: We are just waiting to see if either groups online would like to respond to the same question.

GRAHAM WHITE: The grant requires a co-contribution equal to the grant contribution and I believe that by putting the grant forward we were able to push our own funds towards an expansion that then allows us to compete in a much larger market than the position we were in before.

MAIA SCHWEIZER: One observation, we didn't ultimately end up receiving any funding through the program because it was cancelled before our application was fully considered. But the quantum that we were asking for was about 20 per cent of the total that we were planning to spend, so it was more than matched by private capital contribution and would have simply accelerated us in our technology development because solar manufacturing is a race. It's currently dominated overseas and it really would've propelled us forward in allowing us to select a site and begin construction on a facility sooner. Now we are eagerly awaiting further details about alternative programs that might support that outcome.

Mr STEPHEN BALI: I have a follow-up question. If you had got the funding it would have helped the timing aspect move a little bit forward, but you're still doing the investment. I will ask a similar question to Graham. Without the funding, you're still doing the investment. It might have just been delayed by a year or two.

MAIA SCHWEIZER: We cannot take a final investment decision on building a facility in Australia until we have line of sight of a support package that includes the type of funding that we were seeking. We are still continuing to develop our technology, but that next significant step of building a factory that employs Australians and produces Australian solar absolutely depends on a government support package. What we're doing in parallel while awaiting further details of programs like the Renewable Manufacturing Fund is looking at other jurisdictions that have clear, announced policies with clear application processes and success stories and things like that that give us confidence to perhaps go and build that capacity elsewhere. We'd very much still like to build it here, but as a business we've got to pursue viability and that may include going to other jurisdictions.

Ms MARYANNE STUART: This is to Mr Welsh and Mr White. However, Dr Schweizer, with what you just said, you may wish to answer this as well. If you don't, that's fine, because I'll come back to you in regard to how the ceasing of the Regional Investment Activation Fund was communicated to you. I'll just park that for the moment. Mr White and Mr Welsh, in your submission you identified that the time frame of government grants

doesn't always align with industry projects, and this limits the effectiveness of grant programs. What changes to the time frame requirement would you recommend as a solution?

GRAHAM WHITE: As to a fully effective solution, I don't think that I can offer a concrete answer for that today but, to expand on that slightly, when working in the defence space a lot of the projects come through as tenders. We're given a certain period of time to submit a response to that tender and then the Commonwealth reviews those tenders and chooses a company to go into negotiations with. Negotiations proceed and then the work begins. Particularly over the past few years, the time framing of that has extended rather dramatically for certain projects, particularly some of the ones we were interested in. I believe that a very basic solution would be almost the ability to put the grant funding on hold during such a process. For example, as part of the application for the funding, the ability to say that we wish to proceed with this, provided that this tender or one of these tenders actually turns into work, because we found that we had to change the scope of our RJCF project dramatically towards the end, in order to meet both the updated tendering schedule and the schedule of RJCF. An ability to pause or delay the funding based on tendering decisions within the Commonwealth would definitely be quite helpful in our industry.

Ms MARYANNE STUART: Thank you. I'm happy for you to take that a question on notice. I see Mr Welsh might not be online but he may choose to answer that later. Dr Schweizer, did you have anything further?

JOHN WELSH: Sorry, I am still here. The camera and microphone are both on. In terms of, on notice, as to the determination and really echoing what Graham has said, very broadly speaking, because we work with Defence, it is absolutely subject to the Defence tender process, which has been impacted by the Defence Strategic Review that was announced last year. That has had a huge impact and influence on when tenders and what tenders are arriving and how Defence is spending its money. That is entirely understandable.

The grant was a great catalyst to us as a small to medium enterprise. Would we have taken the decision to invest the way that we have? No, probably not. We have invested, nevertheless, at risk and continued with the grant to achieve the opportunities that we anticipated would be coming out of Defence and, consequently, with the pursuit that we've got and that we are feeling pretty confident about, it was the right decision. So, actually, the outcome for us, as we are anticipating it at this moment in time, is very encouraging and positive.

Nevertheless, to echo what Graham said, I think the opportunity to either extend the period as a consequence of that, so to tie it and link it to the tender opportunities that are indicated in the application, I think, is probably necessary and, certainly, very relevant. If there are delays imposed outside of any control that we have as a business, then I think the time constraints associated with that need to be incorporated into the grant application and taken into account. We will still look to invest but we may need to, obviously, delay that period of investment until we get better granularity and visibility of what opportunities are available to us.

The CHAIR: Any other questions?

Ms MARYANNE STUART: I did have a follow up question for Dr Schweizer about the ceasing of the Regional Investment Activation Fund. How was that communicated to you?

MAIA SCHWEIZER: May I ask to take that question on notice?

Ms MARYANNE STUART: Absolutely.

MAIA SCHWEIZER: I know the rough details, but I would like to be exactly accurate in coming back to you on that. Thank you.

Ms MARYANNE STUART: That's fine and, in doing so, if you can give us any suggestions going forward about how that might be able to be done better, we would appreciate that, Dr Schweizer.

MAIA SCHWEIZER: Thank you.

The CHAIR: Members, do you have any other questions for witnesses? No? Okay. I'd like to thank you all for appearing before the Committee today. You will each be provided a copy of the transcript of today's proceedings for corrections. The Committee staff will also email any questions taken on notice from today and any supplementary questions from the Committee. We kindly ask that you return these answers within 10 business days of receiving those questions. The Committee staff will now organise for the next witnesses. This may take a few minutes. Thank you, Mr Welsh, Mr White, Dr Schweizer and Mr Oates.

(The witnesses withdrew.)

Mr JONATHAN WHEATON, Acting Deputy Secretary, Department of Regional NSW, affirmed and examined

Ms KATRINA CARROLL, Director Planning, Performance and Portfolio Management, Business Bureau, Service NSW, before the Committee via videoconference, affirmed and examined

Ms KATIE KNIGHT, Deputy Secretary, Investment NSW, Department of Enterprise, Investment and Trade, before the Committee via videoconference, affirmed and examined

The CHAIR: I welcome our next witnesses. Thank you all for appearing before the Committee today to give evidence. Please note that the Committee staff will be taking photos and videos during the hearing. The photos and videos will be used for social media purposes on the New South Wales Legislative Assembly's social media pages. Please inform the Committee staff if you object to having photos and videos taken. Can you please confirm that you have each been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

JONATHAN WHEATON: Yes.

KATRINA CARROLL: Yes.

KATIE KNIGHT: Yes.

The CHAIR: Do any of you have any questions about this information?

JONATHAN WHEATON: No.

KATRINA CARROLL: No.

KATIE KNIGHT: No.

The CHAIR: Would anyone like to make a short opening statement before we begin the questions?

JONATHAN WHEATON: No.

KATRINA CARROLL: No.

KATIE KNIGHT: No.

The CHAIR: We will now move to questions from the Committee. Before we begin the questions, I wish to inform the witnesses that they may wish to take a question on notice and provide the Committee with an answer in writing. The first question is to you, Mr Wheaton, regarding the Department of Regional NSW and how it works with the business concierge service to support grant applicants.

JONATHAN WHEATON: Are you talking specifically around the programs that are a focus of this Committee?

The CHAIR: Yes, particularly the Regional Investment Activation Fund and the Regional Job Creation Fund.

JONATHAN WHEATON: I think our engagement with businesses and industry on those two programs are quite exclusive. They are quite separate to the services and the grants that are managed through the concierge service through Ms Carroll. It's quite bespoke, the engagement that Service NSW has. It's primarily focused on smaller businesses or start-ups getting more operational support, and then the engagement with our office of regional economic development and our economic development managers on the ground. In working with the businesses through the grant programs, they are usually different clients.

We do have crossover on a number of our recovery funding programs that we run following disasters, where Ms Carroll's area primarily focuses on those small businesses and supporting them with access to the supports available through recovery grants. But I would say—and I can definitely defer to Ms Carroll as well—that then the engagement with the funding programs that are the focus of the Committee is a different cohort of businesses, usually, that we would be working with through those programs, compared to the different services that are available through the concierge.

The CHAIR: Ms Carroll or Ms Knight, would you like to provide any comment on that question?

KATRINA CARROLL: I would back up what Mr Wheaton said. The Service NSW Business Bureau hasn't had any involvement in promoting or working with businesses, councils or stakeholders to implement the two programs that are the focus of today's inquiry, as Mr Wheaton has stated. Our engagement with Regional NSW and supporting businesses with financial assistance is focused on disaster recovery and small businesses.

Mr JUSTIN CLANCY: If I may, Chair, I've got three questions directed to Mr Wheaton: Firstly, we've heard from a number of businesses about the support that these funds have provided to those businesses. For some businesses, it has been a catalyst for the business decision to go ahead in New South Wales and regional New South Wales. We see the National Reconstruction Fund, and there is funding, as part of that, going towards business investment directly. There are some that say that, perhaps, government doesn't have a role for picking winners and making financial contributions directly to businesses. Why should a government consider making financial contributions towards business?

JONATHAN WHEATON: The context for the programs that are the focus of the Committee, in particular the Regional Job Creation Fund, both of the first two rounds were established as economic stimulus or economic recovery, with the stated objective in the program guidelines being very clearly around job creation. And we were seeking that job creation to be in the engine industries—the industries that grow economies in regional New South Wales. Ordinarily, they are the jobs that don't usually exist or could exist anywhere—they're footloose—but are there for the endowments of a region, whether it's the workforce, whether it's a natural endowment, whether it's infrastructure or whether it's skill placements that come out of university. So through the job creation fund, in particular, there was an objective and a whole suite of measures that government introduced post-COVID. There was the stimulus, like I said, which was round one of the job creation fund, as the source of funding and the objective. And then round two was another package around recovery.

We have a test when we introduce these programs. There's a whole suite of criteria, as you would understand, and that's set out in the guidelines. We have eligibility criteria, and then we have assessment criteria. The objective was to create the jobs in those industries. We then set that benchmark that they wouldn't displace other workers in New South Wales. We measure net State benefit. Essentially, each of the assessments are done to make a cost benefit of above one—so for every dollar that government spends, you will at least see \$1 in benefit realised to New South Wales as a net benefit. When that is the objective of the Government, which it was when we set the job creation fund up, round one and two—we set the measures and the parameters, of which we then have assessment against the criteria to ensure that there aren't any perverse outcomes for other businesses that are not applying for that.

A key principle that we look at as a threshold is what's called competitive neutrality—so you're not displacing other workers within a catchment of New South Wales. That's usually a base measure of your benefit to cost ratio, in any case. There certainly was the objective that those programs that were set up, and what they were intended to do, had a role for government in the rollout of those.

Mr JUSTIN CLANCY: When you speak of economic stimulus as being a key part of it in the original design, given the relative disadvantage in regional New South Wales compared to, say, metropolitan areas on a number of different indicators, is there a role there for ongoing stimulus of some form or another?

JONATHAN WHEATON: Economists will say that stimulus is money moving directly into an economy to result in an immediate outcome, which is expenditure through local businesses for stimulus. There has been longstanding history in New South Wales of having economic development managers—they've been called different things over the many decades that they've been in place; business development managers or economic development managers as they now are—in facilitating the growth and support both at the industry level and at the business level for key employers across regional New South Wales as a key activity, and that function, I don't believe, is mirrored in metropolitan Sydney as a function.

It's been a longstanding acknowledgement that businesses in regional New South Wales, both the role they play in those local economies and the support sometimes that they need to get to that next level and that next growth has been really important, not just in accessing the grant programs but the facilitation that happens on the ground. I think you went to Flip Screen yesterday. The grant is just one component of the work that our team has done with them since 2016 to help that business grow and to help them with their workforce planning and accessing skills, and navigating government with their planning approvals. There has been a lot of facilitation with government to support their success.

Mr JUSTIN CLANCY: There has been a lot of support around it, not just that direct funding.

JONATHAN WHEATON: Not just the grant.

Mr JUSTIN CLANCY: Since the cessation of these two fund programs, have there been alternative regional specific grants programs for business attraction and retention?

JONATHAN WHEATON: In New South Wales at the moment—I'll talk regionally specific because that's my area. We've got Ms Knight on there who can talk more broadly across New South Wales. At the moment we don't have specific incentive grants that are for job creation and job growth in that area. Government has announced a regional development trust which has four focus areas, one of which is sustainable industries in

engine and emerging industries in regional New South Wales, and we are currently going through the process of consultation. The Government has done eight round tables that have consulted on what's called the Regional Development Roadmap. Three key focuses of that road map: We are doing a review on modernisation of the Regional Development Act, Government's invested \$350 million in the regional development trust, and we've also re-established the Regional Development Advisory Council as an independent body to be providing advice and recommendations into government around what regional investments might look like in the future.

The Government has been quite clear that, under that trust, they are looking at different mechanisms beyond traditional grant programs that would result in regional development outcomes. That's regional development in its fullest form. I've mentioned sustainable industries is one of the focus areas of the trust. It also covers Aboriginal economic development and prosperity, improved service delivery and infrastructure activation, connection and capability as the four streams. So then, as a whole, a more holistic view of regional development, with economic development being one of those pillars in that landscape. We are currently going through the process with the Regional Development Act to reset how government will be investing in regional communities.

Mr JUSTIN CLANCY: As you said, the design of that is still underway and there's nothing on the ground at the moment in that regard. Without foreshadowing that, looking forward, what does success look like in your view in terms of the metrics? What are the measures we should be looking at to say that 10 to 15 years down the track we have got investment in regional New South Wales when it comes to the manufacturing industry in terms of attraction and retention?

JONATHAN WHEATON: I'd probably talk in different horizons. Our focus at the moment is for the 205-odd projects that were funded through the Regional Job Creation Fund, that the stated benefits that we've invested in are realised with those businesses. There's actually a long lead time from when the business enters into the funding deed with us. Then they do their capital works to make the investments in their business, and then there is pretty much a three-year horizon time frame for when they are able to meet their stated job figures. Then, if they had got a grant and they'd said that they would establish 20 new FTEs, there is actually a fairly long lead time for them to be able to deliver their capital works. That's often the easier part—sometimes—if you're getting the approvals and whatnot. Then, once those capital works are funded you would go through the steps of then building out your workforce, which, at the moment, I think many businesses are finding as the challenge.

If we look at the immediate term and in the space of economic development, the focus of our teams on the ground, they're in every region across the State; they're servicing every local government area in the State. From our perspective at the moment, we're focusing on the delivery side and supporting the businesses like Flipscreen and like Mr Oates' business before, and even the businesses that haven't had access to the grant programs, to ensure that they can help facilitate the investment.

If I'm looking at longer term, when we talk about sustainable industries, I don't think that there's any secret about the transitioning of economies that will happen, especially in coalmining regions. The Government has an election commitment to establish future job and investment authorities in those four regions. If I'm looking at success in economic development, especially in some of the key regions that are going to experience that transition, it's that we're successfully transitioning a workforce that are currently linked in with mining into new and emerging industries that are capturing those workers in the regions that they currently are. That requires economic diversification, in many cases, and then those authorities that are an election commitment of the Government will help facilitate the economic diversification and the investment attraction that's going to be needed to accommodate as those regions transition. That is much longer term.

As an example, across the State—I think the terminology that was referred to was "picking winners". That often is quite a sound strategy in economic development because businesses choose to establish for a reason in certain areas, and it's often that the endowments are there in a region. That naturally is a decision, and we're supporting those key driver businesses. A point of success—well, many businesses are going to contribute, whether it is their own social licence or whether there is legislation that will require them to have a lower emissions future. So supporting those key driver industries to then transition to retain their workforce and having the right support structure around for those businesses to do that in regional New South Wales will be some of the key indicators.

Mr WARREN KIRBY: This is possibly a question for Mr Wheaton, and possibly also for Ms Knight. What is regional New South Wales? The reason I ask that question is a \$5 million grant for the City of Sydney council.

JONATHAN WHEATON: From these two programs?

Mr WARREN KIRBY: From this program.

JONATHAN WHEATON: I think you'll find that the project would be located in regional New South Wales.

Mr WARREN KIRBY: It went to something in Port Stephens, but I struggle to rationalise providing the City of Sydney with \$5 million on a grant that has stated aims to develop regional New South Wales. What is regional New South Wales, geographically?

JONATHAN WHEATON: I can talk about the definition for these two funds. It included all regional local government areas, excluding Sydney metro, Wollongong and Newcastle. That was the definition that was used in these funding programs. The project itself, in the guidelines you would have seen that you would have been required to have the delivery. Sometimes you can have a company that is headquartered elsewhere, in the data that we shared with the Committee, you would have seen, potentially, that sometimes you'll have businesses that have an address or their location as an applicant is not in regional New South Wales but their project location is in regional New South Wales, and that would have been one of the requirements.

Naturally, the jobs that were created needed to be located in regional New South Wales. To the point about that benefits realisation, the idea is that these funding programs or the job creation fund program in its current format—businesses are required to apply up to a certain amount per job and at least match that dollar for dollar. Then, because the employees are in New South Wales, there is a payback through payroll tax. Usually there is a threshold for businesses that have to have payroll—as you know, as a business owner—but then the payback for the State was through payroll tax.

Mr WARREN KIRBY: But is there a definition of regional New South Wales?

JONATHAN WHEATON: I've just said what that definition was: all regional local government areas, excluding metropolitan Sydney, Wollongong and Newcastle local government areas. That's the definition for these programs.

Mr WARREN KIRBY: We have heard repeatedly of people who had to abandon the grant—that one of the challenges they had was the synergy between local government, State Government and Federal Government. Has there been additional support provided through any of the departmental agencies? I take onboard that you've provided plenty of additional support to Flip Screen since 2016. Does any of that support include negotiating synergies between the different layers of government?

JONATHAN WHEATON: I'm just trying to think whether I can think of specific examples where we've done business-to-business grants. Certainly we have, on a number of other programs when working with councils and potentially some other proponents where they have two sources of funding—Commonwealth and State—approached our counterparts in the Commonwealth and took on the money and the delivery risk. We're both big governments to then handle that to then have a single funding date, let's say, with a council, instead of them managing the reporting requirements of two. So we definitely have done that under a number of different programs previously.

Our on-the-ground staff who are working with the businesses definitely provide support for applications to be made to Commonwealth grant programs, so facilitating them, pulling the grant application together, because obviously they're working towards net regional benefit or net State benefit. There's a benefit to us attracting the Commonwealth funding for those businesses to thrive. There are instances where organisations or businesses or councils will seek a letter of support from State Government in various forms, including the funding program that you just mentioned before, the Commonwealth—sorry, its name escapes from me. We definitely had then a number of businesses or councils that have put up funding applications to the Commonwealth where we had coordinated and supported and indicated what we were doing to help them support that delivery of the project.

Mr WARREN KIRBY: I might be a little bit confused, because a lot of people are pointing towards capital investment that they had to abandon because of DA approvals and things on the LGA level, not on the State or Federal level. Funding in itself was not necessarily the problem; it was the implementation of that. Almost all of the responses—that I've heard, anyway—was that the road block was with the LGA. Is there support on that level and how could that be improved to make sure that it goes where it's intended for what it's intended?

JONATHAN WHEATON: It's an absolutely valid point. I think a lot of the constraints—and I've got the team to pull some data around what have been the reasons why we've had some of the terminations and the withdrawals of the grant programs. The primary reason for that is that businesses have a dynamic environment, so that's much more dynamic in terms of their decision-making, probably sometimes, than government. Then the local government, especially around the DA and planning approvals processes, has been a challenge. We can and have done, to an extent—when there's a substantial investment, we work with what's called the planning delivery unit in the department of planning, who can help facilitate bigger investments, more significant investments through the planning process. There's a concierge and tailored support for those.

It's a bit more tricky navigating through a local planning system where it is often done as an independent assessment process, as it should be with councils, separate to their decision-making of what a business might be. I definitely think it is something to look at, because often—more often than not—when applicants apply for our grant programs to expand their business or to build something on a new site, the DA is not in place. Often their grant funding is going to help facilitate them to get that initial investment up over the line and start that process, and that's when the vast majority of our projects—either the delays or the withdrawals and terminations—are from the exact issue that you've said. I absolutely think that there is more that we can do to get those synergies, where the planning approvals can make sure that that's not an inhibitor to the investments that are going back. Mr Oates is a very classic example, where the time frames that he has experienced now means that—I think he mentioned it before; I don't think I was aware of that—he then seems to be establishing on either side of the border.

Mr WARREN KIRBY: He has gone back over the border.

JONATHAN WHEATON: When I mentioned payroll tax, that's revenue lost to the State for those delays.

Mr WARREN KIRBY: Can I also get a response from Ms Knight to the same question as to how could we improve that? How could we make that a more seamless environment?

KATIE KNIGHT: Investment NSW, similarly to Regional NSW and the office of regional economic development, works really closely with our recipients of any grant programs. Where we can provide help and support with councils, we do, but it's not as much of an issue in the metropolitan areas in that often we are not funding—whilst there may be projects funded, they don't often have the same DA requirements. Sometimes they do, but most often they are more headcount issues or other non-capex issues.

Mr WARREN KIRBY: So you don't deal with Regional NSW?

KATIE KNIGHT: Absolutely we do. Sorry, I thought the question was around our support for local councils. We work really closely with Regional NSW all the time, every day, on opportunities. Where we have a metropolitan-based business—I can think of a number of examples—who is looking to expand and who needs space and needs workforce, we will work directly with our counterparts there to help find that space so that they can continue to expand their business. Whether or not there are financial incentives involved—often it's just a matter of facilitation and access to knowing where the sites are. But we work very closely with Regional, regularly. I would say all of the stuff that Mr Wheaton has represented is very similar to what we would say here for Investment NSW.

The CHAIR: I've got three questions, but I think, Maryanne, you were indicating that yours was relevant to that discussion.

Ms MARYANNE STUART: Yes, thank you, Chair. How does the department work with regional councils to address these issues? Mr Wheaton, I think you kind of touched on it, and I'm not excluding the other witnesses online. Are there any other challenges or anything that you can think of at this point in time that you need to work with councils on?

JONATHAN WHEATON: Each of the councils in Regional NSW would have a dedicated economic development manager in our team. There are usually economic development managers in council and, likewise, we've got the State version. Our teams usually have coverage over one or more councils, depending on the scale of their activity. Often we can have a joined-up approach, especially if it is a more significant employer, where the economic development management team in a council is working with our economic development manager in the State to help with the facilitation or for the business to realise their growth or aspirations for what they're trying to do.

The primary focus remains, to Mr Kirby's observations, around the local planning system and the challenges. Our team are not planners; neither are businesses. They're really good at running businesses and making things or delivering services. Often they find the planning system perplexing and complicated to navigate, and so that would be the primary focus. In place, we have worked with councils in developing what are called regional economic development strategies. They're one or more local government areas that are grouped together that kind of make a sub-economy, and they are usually focused on—it's pretty easy data. It's journey-to-work data, where people travel or live and then where they travel for work. That forms your evidence base of what councils work together.

Another way we work with those councils, then, is that where there are groupings of councils that make a sub-economy, where you can look at and target your focus areas, whether it's enabling infrastructure or whether it's constraints to markets. It might be through local road upgrades or bridges or whatever it might be. Then we can get businesses together. I think Mr Oates said a nice saying that the rising tide floats all the boats, and a key focus is when you have those councils and then you can connect the businesses that are in those councils.

Whether an investment inquiry has come into one council, but the better industrial site that they're after is in another adjacent area—the whole economy, if it works like that, because you could live in one council but you could be employed in another, it all works together. We do a lot of that work with councils, working collaboratively and not just at their own local level. Sometimes you get some more parochial councils than others that are pretty dead straight on what they're trying to achieve and do. But, predominantly, they are really good at working together. They have the same aspirations to see the economies thrive in their regions, and so they do work together quite well with our teams.

Mr RICHIE WILLIAMSON: I've got two questions—one for Mr Wheaton and one for Ms Carroll. Mr Wheaton, in your earlier evidence I think you used the term "stated job figures" in applications. What is the process? I'm assuming it's in the deeds that the business would sign. But if they don't meet the figures, what's the process with regards to what their liability would be on the grant? Has that process been enacted already in some of the applicants' cases?

JONATHAN WHEATON: I think we had Mr White and Mr Welsh mentioning their grants earlier and that they may have required a variation of their project on the basis of changing circumstances. Originally, I think, they had a stated job figure, then they have moderated that down on the basis of the business circumstances. So on that basis, we do a deed variation to—would moderate down the amount of grant funding that would then be paid to them under that deed on the basis of their revised job figures in that arrangement. That would happen right across the board. Even if a business has then completed their capital works and finalised that part of the project, they're required to show the evidence of the full-time employees that they have created under their deed. Then they would have to pay back under the deed pro rata any of the job figures that they haven't met under their deed.

You would have seen, maybe, under the guidelines that then we benchmark that businesses could apply up to \$20,000 per job. So it is quite fixed, in a structured way, to be able to then say, "If you're not creating X amount of jobs, then your grant amount would be reduced commensurate to those jobs." Then that would be changed in the deed. In the instance where a business has received funding, then via mutual termination of that deed, we will start proceedings for them to pay back the grant.

Mr RICHIE WILLIAMSON: And in a way that keeps the business afloat. Is that what the aim is?

JONATHAN WHEATON: Yes, we would be absolutely taking that into consideration. I can't think of any examples where we have come to an impasse around a business that is in those circumstances, but we're very cautious of that on the basis that then, because it's such a long lead time from when the grant is made, contracted and then a three-year window, many things can happen. And we've experienced that now. I'm pretty sure that the first round of the job creation fund would have been in October 2020, and you think about the natural disasters that have occurred since that time. Many of the businesses that would have been a recipient of those grants—and they were tracking on quite nicely to be able to deliver their project—were very significantly impacted, either directly or indirectly, by the Northern Rivers flooding disaster, or then the Central West or the southern floods, or even some of the bushfires that happened in the Central West.

We definitely accommodate that. We have a team that runs the back end and an acquittal process for grants that get legal advice and work with the business. We kind of join the dots together. We have a central administration team who do all the acquittals and administration. We have on the ground support. When we need to, we join the three up—the business, the on the ground support and our acquittal team—to work out what the pathway forward is for businesses.

Mr RICHIE WILLIAMSON: I'm interested in the Business Concierge service. What is available to new businesses in regional New South Wales through that service? I also note that there's been a significant drop-off in people taking up those services. Is there any insight into why that may be?

KATRINA CARROLL: The Business Concierge is a frontline team of staff that provides, I guess, what you'd call an entry point to interact with government, with the purpose being that the businesses and small business who are already time and, potentially, resource poor don't have to understand how government works and the various entry points. There's an entry point where they can come and have the personalised conversation with the Business Concierge staff, who also understands the local region and, through that conversation, then connects them with relevant services.

To your question, there's provision of general information about how to start up a business, about registering a business, what permits or licences might be required in that industry and, through an understanding of local issues, what permits or licences might be required at the local level. I'm curious about your statement of the drop-off. I was just wondering if you could elaborate a little bit more about that?

Mr RICHIE WILLIAMSON: Yes, I will. The information that's been provided to us is that there's been an over 80 per cent decline in business concierge customer cases from 2021-22 to 2022-23. I was just wondering

if there's any insight into why that may be. But your answer has just sparked another question, and I don't want to hog the questions. Is local government included in any of this? Are development applications being highlighted—"You're going to need a DA"? Is there a connection between the concierge service and development application approvals at that very early stage in the concierge?

KATRINA CARROLL: That is one of the aspects that a business concierge can support a business customer with, with local council, on the customer's behalf. Our business concierges develop contacts with the local councils to facilitate that process. Probably what we're looking at there is a transition between what was a focus on disaster recovery, where there were a lot of grant applications—here I'm talking about disaster recovery grants. Because of that time, for a lot of them, the interactions between our business concierges and the business customers were more what you'd call transactional in nature around the grant applications and there was a high volume of applications coming in right across the State for businesses impacted by multiple events.

I think what we're doing now—we still have the businesses that we're supporting in disaster recovery but we're also starting to shift the model to more of the relationship ongoing service where, having made initial contact with businesses in disaster recovery, we're now able to, for those businesses who are interested and require that support, support them in an ongoing way. We are still working with businesses but I guess the number of transactional cases probably is what that data is indicating.

Mr RICHIE WILLIAMSON: That does make sense. Thank you.

Ms CHARISHMA KALIYANDA: My question is to all three of you. You mentioned a lot of support for local businesses as well as encouraging them to look at working strategically on a regional basis. What types of policies or frameworks exist to support some of these local businesses and regions to tap into international markets? Can we be doing more in that space?

JONATHAN WHEATON: I might ask Ms Knight to answer that one. I think that she has more of a business facing towards international markets.

KATIE KNIGHT: Sure. Thank you for the question. Yes, Investment NSW has as part of its remit the export advisory function for New South Wales government. We have a number of export advisers based in the regions and locally in metropolitan Sydney whose role it is to help businesses who are nearing or who are export ready to coach them and provide that sort of advice as to how to get their products or services offshore.

We also have a number of programs in that space. We have, for example, the Going Global Export Program, where we take cohorts of export-ready businesses in a sector to a location. It might be a food and beverage program to take to India to ultimately try to make those in-market connections to boost, obviously, the sales and the contracts for those businesses. We have supported, in the last financial year, 60 regional businesses through that program into our priority sectors. Since the program started in 2021-22 we've supported over 160 regional businesses. It is obviously a great source of—we know that exporting businesses are more productive. They are bigger employers. One in four jobs in regional Australia is supported by exporting businesses. It is something that we've worked very hard to help out regional businesses and also local businesses in Sydney to export.

Ms CHARISHMA KALIYANDA: The second part of my question was whether we be doing more in that space, especially in working between your various departments to try to reduce the siloing of information or resources, for example, perhaps having information available through the business concierge service about how to access some of the programs that Ms Knight was speaking about. But also, Ms Knight, your response was largely focused around supporting individual businesses. Is there potential to, for example, create groups of businesses or specific industries and focus that type of support through those channels?

KATIE KNIGHT: We do support collections of businesses. As I mentioned, we focus on an industry and that industry may lend itself naturally more towards regional-type businesses with those programs, with that programmatic support. We have those advisers in the regions that go around—you asked about industries. But they do focus—you can imagine our adviser in the Riverina is very focused on helping those businesses which naturally lend themselves to particular industries. If it's not a program, they are individual advisers supporting those businesses in the region. I'm not sure if that answers your question.

KATRINA CARROLL: I was just going to add, if I may, to the first part of the question, which was about the joined-up approach to support businesses. Just by way of context, the Service NSW Business Bureau was launched in October 2023 and builds on the foundations of what was Service NSW for business. We're continuing to offer the frontline concierge services we've already spoken about, but part of the business bureau is also an increased focus on supporting businesses to connect with export capability programs and resources and then also to make those connections with overseas markets. We have already initiated a program working increasingly closely with Ms Knight's area to make those connections available to strengthen the pathways for

those businesses to build awareness of these services for businesses across the State. That'll be a focus for the business bureau in the coming years.

JONATHAN WHEATON: Just from maybe the local industry perspective, there are a number of different industry focused clusters that are led and facilitated by our team on the ground. The Shoalhaven defence industry network comes to mind, where it's been a longstanding focus of our economic development and planning in the Shoalhaven to bring the defence capabilities together in that region, to also then promote those defence capabilities to some of the big defence primes on the international scale. And so then you get a local network and a supply chain and capabilities all joined up.

If you're a big defence prime, you might be looking to service a big defence contract either for the Australian Defence Force or around the globe—that they've had quite an amount of success of joining businesses up to then jointly tender for those big contracts for those to be located in an area that makes sense where you've got a skilled workforce, where you've got a rising tide of businesses that have those capabilities in a regional context. We do it in food and beverage production on the Central Coast. There is a cluster of those businesses that have worked together. Then elsewhere around the State we do a lot of that industry level development and networking.

Then the flow often is that, through Ms Knight's international network, investment inquiries might come that we then join them up to each of the regions if they have a certain set of requirements as a business—that we can do the site selection on the ground, we can look at the workforce planning and the skills but also plug them into the industry networks locally. They might not land in a region which isn't with any other defence manufacturers or other like businesses, but they would come in there knowing that there is an ecosystem of support of either a workforce or whether it is capabilities they need to draw on. We do a lot of that work. It's the facilitation work. It's kind of separate to the grant programs that then seek a certain objective. A lot of that is our core business of what our economic development managers do on the ground and in partnership with the office of regional economic development, who do the statewide strategy for how we do that.

KATIE KNIGHT: Mr Wheaton, if I could just add also, you talked before about your regional economic, your business development managers, which are part of your team in Regional NSW. Often our export advisers, they're going to the same meetings, they're attending the same clients and there is a really seamless hand off between getting the business going, supporting with all their local needs, building them up to be exporting businesses and then our export advisers stepping in to then hand them off to our international network. It is a very seamless process. The regional team is very close to our offshore team. Whilst we may work for different departments, we work very, very hand in glove in the services we provide to the regional community.

Mr STEPHEN BALI: Thanks for your presentation so far; it has been very insightful. Two quick questions, probably resulting in a lot of little sub-questions. The first one, as far as the fund is concerned, Mr Wheaton, the initial presentation talked about how it doesn't displace other workers. Given such a tight job market, where unemployment has fallen off, for these companies to expand—and some of the companies are talking about massive expansion if it all works—that will displace a lot of workers. We are not actually achieving the goal of not taking away from other—are we going to jeopardise some businesses because, going back to the first point, we're picking winners, we're enhancing their production, allowing them to have opportunities, and they need workers to support it, which will take away from workers who are already in the job market, given that we are down to only 2 or 3 per cent unemployment rate?

JONATHAN WHEATON: I think that there are a few ways that you can look at that. I probably think it's a question for an economist, exactly how a job market works. The measurement that I was speaking about, in terms of then displacement, is a principle where we are looking then to not advantage one like business over another. That's why we focus on the engine businesses as well. When you are looking at a local regional economy, it's made up of around 70 per cent of population-serving businesses and 30 per cent of the driver or engine businesses, and the 70 per cent of population-serving businesses exist for the local population, believe it or not. Certainly, we are looking then for any of the investments that we make of those engine industries, that they're not displacing a competitive advantage for another one of those engine businesses.

When we talk around the workforce, there is always a transition of people in jobs to go either to the same skills and higher paying, and it is definitively a competitive market. The number one challenge I think that the businesses that have completed their projects, completed the capital works now, is standing up their workforce. That is much more challenging when you've got a tight labour market like we are experiencing at the moment but all the more important for when those labour market conditions change, that we have those jobs in place, because the 30 per cent of jobs that are in the driver industries sustain the 70 per cent of other businesses that are in town. The money from those driver businesses, kind of flow money—the hairdresser gets paid, then the hairdresser goes

to the physio, then the physio uses that \$50 to get their lawn mowed and that money just circulates through the population.

Mr STEPHEN BALI: Sorry, just to cut to the point, there's not enough people to fill jobs. We've just funded a massive jobs program. There's not enough people there. Is it a worthwhile investment to put into jobs programs, or should we be looking at other stimulus, as you have the economic development managers, other ways of supporting businesses to improve over time?

JONATHAN WHEATON: We're looking at that now, around what strengthens the regional economy, and the workforce and skills is a key component of that. There are different ways that we help these businesses attract a workforce, whether it is through skilled migration visas, 457 visas, that we can connect with the business to help facilitate that focus. There are a number of different ways that we support the businesses to realise their jobs. There can be people who move from interstate to come and fill those positions. There are a number of different ways that we do that. In terms of whether we think it's a good idea to grow regional jobs, I think it's probably always a good idea to grow regional jobs. It is probably just a different mechanism under which you would then do that and target that.

To the point of why we did this in the first place, it was that everyone was anticipating very significant disruption to employment in regional New South Wales post COVID and post that disruption to the usual workforce migration patterns that would happen in any country, and the program has been quite successful so far in realising those businesses investing and creating those jobs. Perhaps it is one of the reasons why unemployment remains so low, in a dispersed way, across regional New South Wales. I think the Committee might have got an analysis of the data of where those jobs were. I'm pretty sure that of the 38 functional economic regions I spoke about earlier, the regional economic development strategies, we had jobs being created in every one of those regions. So, yes, there are concentrations of where the investments and where the jobs are had, but we have ensured and our team is working really hard. Where we didn't have projects coming through we ensured that then we were targeting those businesses to incentivise them to invest and to create the jobs to give them that—

Mr STEPHEN BALI: But the jobs haven't been created just yet, have they? They are still in infancy, many of them.

JONATHAN WHEATON: Well, we only will record jobs once it's actually been closed out. I think about 43 per cent of the capital works of all of those projects under the Job Creation Fund program are complete and then I've mentioned around that three year window. I think we do do milestone reporting for each of those businesses on how they're tracking on a basis. But then, the full numbers haven't been realised, no.

Mr STEPHEN BALI: Maybe we can get feedback on that, Mr Chair, from the data that we have, so we can track where we are right now. The other aspect in the data that was used by the two universities that presented earlier today—I believe they used government data, the department's data—one of them was identifying about 804 jobs. Basically, dollars invested in the program per job was about \$25,000. There was one, which closely comes back to what you were saying before, per capital investment of \$20,000 per job. But there was one company that was listed—obviously, de-identified—company number 14, with a \$500,000 investment for 606 jobs. If you take that outlier out, that leaves the other 27 businesses, \$20 million for 198 jobs, which is about \$101,000 per job. How do you reconcile that there is one outlier with 606 jobs—

JONATHAN WHEATON: I'm not quite sure of the data source which the university is referring to and I don't think that we have publicly available data on our full job figures of the program, but the program guidelines specified that the company getting the grant had to do one FTE for every \$20,000 worth of grant that they received. So the numbers should be—we're hoping to exceed the job numbers, because some of the grants that would have been awarded would have been higher jobs created from the government grant. But we capped it, so where there was, let's say, significant capital investment from a company but it was only going to total a certain figure, but the jobs that were created—whether it's a more labour intensive as opposed to a capital intensive business, then they might create and we're hoping they create above the benchmark of what we'd set for the program. But it should, for the Government expenditure once the program is evaluated, show that money spent would have been a minimum \$20,000 for every job created in those businesses.

Mr STEPHEN BALI: Maybe later we can get some more details on the outlier. Finally, just exploring some of the earlier questions where we talked about what if they don't achieve it. Companies would have tooled up, they would have gone through the council processes. If they don't achieve, in three to five years, the jobs they anticipated, I know you were saying that you'll try to recoup some of the money, but to a large extent do we look at issues beyond their circumstances, such as they couldn't find the employees? We could bankrupt these businesses. Generally, one in three businesses don't survive in the long term. Do we look at, before we start claiming back the money, the circumstances surrounding the position and make us waive the repayment because it was really not their fault?

JONATHAN WHEATON: Probably a few points. We certainly would take into consideration the circumstances of business as we go through any of that process, and usually we negotiate terms under what would be a mutual termination, and under those terms that would be negotiated in the various different factors that were in place for that business at any given time. I probably would need to take it on notice around the specifics of what the requirements are of the deed because it is public expenditure that leaves government for a start and sometimes there are less risky ways to do that with local councils. They're governed by the Local Government Act. They're there; they're an establishment to government. They're there, and the partnership and the conditions around how we would administer grants are different for local government in just how we have businesses.

So we have additional checks and balances, and in any case, like you said, there are businesses that go into liquidation at any given time. The statistics are what they are, but then I guess you have to take that with the risk of then running a program like this that there is always—we know the data on the businesses and business failures that then we're trying to pick the winners to start with, with good evidence-based decision making and robust compliance and due diligence up-front to minimise the risk in the back end, and we certainly take into account the businesses circumstances in our grant when we're—

Mr STEPHEN BALI: Is there an appeal mechanism? If the businesses feel hard-done by and the bureaucracy has made a decision, is there a review process? Because obviously there are different factors and people see it differently. If you haven't done it yet, because obviously hopefully we don't have to refund any money, in due course would you look at potentially a review mechanism?

JONATHAN WHEATON: I think that that would again be a legal process because the deed that is entered into by the department is—we use financial delegation to execute the deeds, but in terms of then advice on enacting any of the clauses of the deed is through our legal teams so then likewise I think any review of decisions that would be made would be made on advice of our legal advisers in the department. But I'm not aware of anywhere that has kind of not come to a mutual agreement so far.

Mr JUSTIN CLANCY: I have a couple of follow-up questions. One of the barriers—roadblocks—that has been discussed has been around development applications at local government level. Could it be possible that for further iterations we might explore having an automatic pathway into the regional planning panels or State significant panels as being part of that funding?

JONATHAN WHEATON: If we take the last point, the State significant panels I think have quite a high threshold of investment and perhaps that would be higher than the programs that we're talking about. The local panels, I'm not quite au fait in terms of the thresholds and how projects find their way to those panels in the planning system, but I think it's definitely something that we need to look at when we coordinate government and we have a shared intent, and even with the local councils, like I've said, and then the State has an outcome that we're seeking to achieve but then the barriers of being able to then get there—even if the project is not going to be supported, to make that decision earlier.

Mr JUSTIN CLANCY: Possibly something to consider for further iterations, and very briefly, Chair, to Ms Knight, just a couple perhaps very quick questions. Again, the questions around trade opportunities internationally in terms of regional. I thought that was a really good line of questioning there, so asking about ways to improve. Queensland, I understand, has a Queensland-India investment strategy, and that was conducted in 2023. Has New South Wales got a similar strategy?

KATIE KNIGHT: We have a trade statement from 2021, which the New South Wales Government does, which we are looking to address now that there has been some movement in some of the free trade agreements around the world. Some have come to fruition and some have not. So we always look to the current state of play in trade and in our bilateral relationships to determine where those priority markets are. But as for a specific country to country or State to State relationship, no, except that we have sister State agreements with 13 different sub-national States or provinces where we have a focus, I guess, on—with California, looking at opportunities to pursue net zero and other technologies in that space. So each of the sister State agreements has a different focus. But, as to a strategy, no, we do not.

Mr JUSTIN CLANCY: To go back, just to clarify, you said that in 2021 New South Wales signed an arrangement with the—

KATIE KNIGHT: We have a trade statement, which is effectively the New South Wales Government's position on where it sees trade opportunities in those priority markets.

Mr JUSTIN CLANCY: Just finally, the New South Wales Modern Manufacturing Taskforce—one of the outcomes of that was for New South Wales to develop a manufacturing strategy. It was due to be developed in 2023. Can you give us a bit of an update as to that modern manufacturing strategy for New South Wales—and, in particular, any connection to regional New South Wales for that strategy?

KATIE KNIGHT: No problem. Investment NSW, through the office of the Modern Manufacturing Commissioner, consulted with over 300 manufacturers in the State, of which many were in the regions. We heard a lot about the opportunities and the challenges being faced by manufacturers. As to the state of the strategy, you may be aware that the New South Wales Government is in the process of putting together an industry policy, and that work will be folded into the industry policy. We're also working on an innovation blueprint, which the New South Wales Government is leading, to look for opportunities, including for our innovative manufacturers and how we can support them from an ecosystem perspective. What I would say is that we are actioning a lot of that work already, that was conducted as part of that consultation process, and we will continue to do so in respect to the industry policy that's being developed.

Mr JUSTIN CLANCY: So no strategy to date being folded into the next iteration?

KATIE KNIGHT: Correct.

Mr JUSTIN CLANCY: Thank you.

The CHAIR: We're a little bit over time, so unless there are any urgent questions that need to be asked, we will wrap up. I thank you all for appearing before the Committee today. You will each be provided with a copy of the transcript of today's proceedings for corrections. The Committee staff will also email any questions taken on notice from today and any supplementary questions from the Committee. We currently ask that you return these answers within 10 business days of receiving the questions. Mr Wheaton, I suspect out of what Steve Bali has raised, there's probably some supplementary stuff that we'll pull together and make sure gets sent to you. That concludes the public hearing for today. I, again, would like to place on record my thanks to all witnesses who appeared today. In addition, I would like to thank the Committee members, the Committee staff, Hansard and the staff of the Department of Parliamentary Services for their assistance in the conduct of the meeting—and, by assistance, I probably mean they do 99.9 per cent of everything that makes it happen. Thank you.

(The witnesses withdrew.)

The Committee adjourned at 12:20.