

**Submission
No 19**

INQUIRY INTO ARTIFICIAL INTELLIGENCE (AI) IN NEW SOUTH WALES

Organisation: Business NSW
Date Received: 19 October 2023

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The Hon. Jeremy Buckingham MLC
Chair, Portfolio Committee No. 1 - Premier and Finance
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Mr Buckingham,

Inquiry into artificial intelligence (AI) in New South Wales

Business NSW welcomes the opportunity to make a submission to the Portfolio Committee No. 1 – Premier and Finance.

This submission relates to the following parts of the Inquiry’s Terms of Reference:

- Clause 1(c) – current community and industry use of AI and the potential implications for delivery of government services
- Clause 1(d) (ii) and (vi) – the current and future extent, nature and impact of AI on the New South Wales labour market.

As NSW’s peak business organisation, Business NSW has almost 50,000 member businesses across NSW. We work with businesses spanning all industry sectors including small, medium, and large enterprises. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state and federal level. Our flagship research product, the quarterly Business Conditions Survey, generates timely and unique insights into business sentiment and enables early identification of emerging risks and opportunities.

Adoption of AI by businesses

Through the Business Conditions Survey 2023 Q2, Business NSW has gauged business attitude to adopting AI in their operations. The majority (58.6%) of businesses in NSW are ‘receptive’ or ‘somewhat receptive’ to AI. However, nearly one in five (18.4%) businesses are completely unreceptive to AI. This attitude could be due to a lack of knowledge about the benefits and risks associated with this type of technology, cost and complexity.

For the full distribution of AI acceptance scores, refer to Figure 1 in the Appendix.

The breakdown of AI acceptance by region shows that no region can currently be classified as an AI hub in NSW. On a scale of 0 to 10, the average score ranges from 3.5 in Capital Region to 5.3 in Sydney, excluding Western Sydney. Refer to Figure 2 in the Appendix for the full regional breakdown.

Compared to regions, there is a greater variation in AI acceptance across industries. The average score ranges from 3.6 in the construction industry to 7.6 in the information media and telecommunications industry. “White collar” industries are more likely to have a higher score. Refer to Figure 3 in the Appendix for the full industry breakdown.

Larger businesses (defined by the number of staff) are more open to adopting AI. Businesses with 101 workers or more have an average level of AI acceptance of 6.2, while sole traders have an average of 3.8. Refer to Figure 4 in the Appendix for the detailed breakdown.

Impact of AI on labour market

AI development has both direct and indirect workforce implications. While some roles will be automated and displaced, some workers may have their roles and responsibilities redefined. New types of roles will also emerge.

As the application of AI continues to expand, workers' digital literacy is increasingly important. Large businesses are more likely to have resources for upskilling existing staff, while the adoption of AI by small and medium enterprises is more likely dependent on the availability of trained workers.

Implications for government

Business NSW recognises AI, machine learning in particular, provides opportunities for Australia in terms of intelligence augmentation and productivity. Intelligence augmentation takes place when humans and AI work in complementary partnerships that enhance overall performance.

Industry's adoption of AI would benefit from the following recommended government actions:

- **Demystifying AI** – raising awareness of the various forms of AI, clarifying or demonstrating their appropriate use, and showcasing their potential benefits for business.
- **Promoting digital literacy** – providing training platforms (such as embedding digital literacy into education and training syllabus) to allow the current and future workforce to build the necessary level of digital literacy to work with AI or drive AI development.
- **Developing regulatory frameworks** – developing or amending regulations affecting AI at a national level to ensure consistency across Australian jurisdictions. These regulations should ensure ethical and secure use of technology without hampering innovation.
- **Leading AI adoption** – driving the adoption of AI in areas such as planning, provision of infrastructure, and managing natural disasters.

Business NSW welcomes any opportunity to work with all levels of government to support AI adoption by businesses.

If you have any questions about this submission or would like to discuss it further, please contact Dr Sherman Chan, Chief Economist,

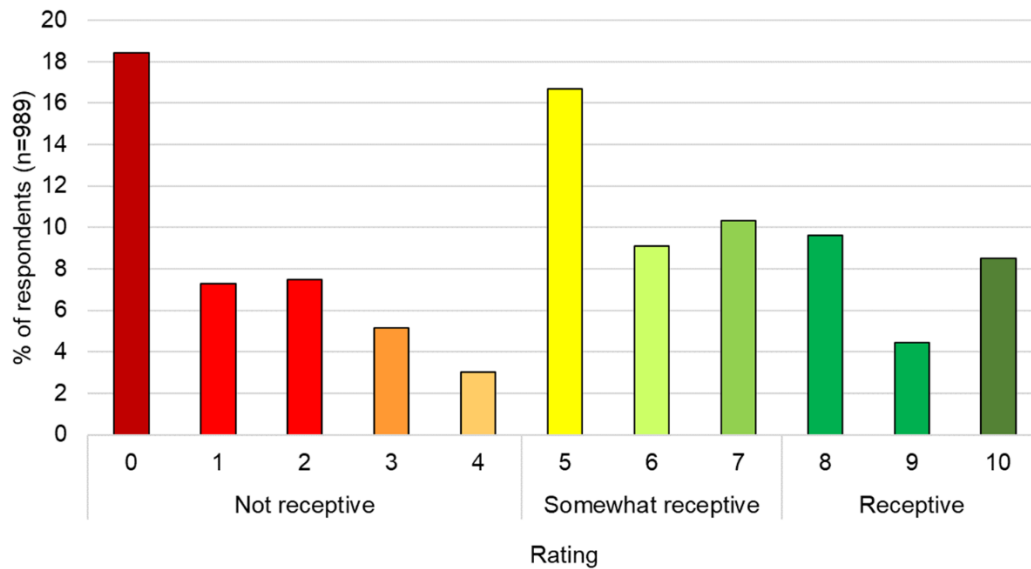
Yours sincerely,

David Harding

Executive Director, Business NSW

Appendix

Figure 1: Attitude to adopting AI in business operations



Source: Business Conditions Survey 2023 Q2 by Business NSW

Figure 2: Attitude to adopting AI in business operations by region

Region in NSW	Average score (out of 10)
NSW overall average	4.6
Sydney (excluding Western Sydney)	5.3
Murray	5.1
Coffs Harbour – Grafton	4.9
Central Coast	4.9
Newcastle and Lake Macquarie	4.6
Southern Highlands and Shoalhaven	4.5
Central West	4.5
Illawarra	4.5
Riverina	4.5
Western Sydney	4.4
Richmond – Tweed	4.3
Hunter Valley	4.2
Far West and Orana	4.2
Mid North Coast	4.1
New England and North West	3.9
Capital Region	3.5

Source: Business Conditions Survey 2023 Q2 by Business NSW

Figure 3: Attitude to adopting AI in business operations by industry

Industry	Average score (out of 10)
Information Media and Telecommunications	7.6
Professional, Scientific and Technical Services	6.5
Education and Training	6.3
Financial and Insurance Services	5.4
Rental, Hiring and Real Estate Services	5.2
Manufacturing	4.9
Wholesale Trade	4.7
Mining*	4.7
Arts and Recreation Services	4.4
Administrative and Support services	4.4
Public Administration and Safety*	4.3
Transport, Postal and Warehousing	4.3
Electricity, Gas, Water and Waste Services*	4.3
Accommodation and Food Services	4.2
Health Care and Social Assistance	4.2
Other Services (e.g. Personal services)	4.1
Retail Trade	3.9
Agriculture, Forestry and Fishing	3.6
Construction	3.6

Source: Business Conditions Survey 2023 Q2 by Business NSW

*denotes a very small sample of businesses (fewer than 5)

Figure 4: Attitude to adopting AI in business operations by company size

Company size (by number of staff)	Average score of AI acceptance (out of 10)
None / sole trader	3.8
1 to 4	4.1
5 to 20	4.8
21 to 50	4.9
51 to 100	6.3
101 or more	6.2

Source: Business Conditions Survey 2023 Q2 by Business NSW