

GENERAL PURPOSE STANDING COMMITTEE No. 4

Thursday 16 October 2008

Examination of proposed expenditure for the portfolio areas

SMALL BUSINESS, SCIENCE AND MEDICAL RESEARCH

The Committee met at 2.00 p.m.

MEMBERS

The Hon. J. A. Gardiner (Chair)

The Hon. D. J. Clarke
Dr J. Kaye
The Hon. C. M. Robertson

The Hon. R. A. Smith
The Hon. H. S. Tsang
The Hon. L. J. Voltz

PRESENT

The Hon. A. P. Stewart, *Minister for Small Business, Minister for Science and Medical Research, and Minister Assisting the Minister for Health (Cancer)*

Department of State and Regional Development

Mr B. Buffier, *Director General*

Mr D. Van Dyk, *Acting Executive Director, Office for Science and Medical Research,*

Ms J. Scott, *Executive Director, Small Business Development Division*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates secretariat
Room 812
Parliament House
Macquarie Street
SYDNEY NSW 2000**

CHAIR: I declare this hearing of the inquiry into budget estimates 2008-09 open to the public. I welcome the Minister for Small Business, Minister for Science and Medical Research, and Minister Assisting the Minister for Health (Cancer), Mr Stewart, and accompanying officials to the hearing. Today the Committee will examine the proposed expenditure for the portfolios of Small Business, Science and Medical Research. Before we commence, I will make some comments about procedural matters.

In accordance with the Legislative Council's Guidelines for the Broadcast of Proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, you must take responsibility for what you publish and the interpretation you place on anything that is said before the Committee. The Guidelines for the Broadcast of Proceedings are available from the table by the door.

Any messages from attendees in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. Minister, I remind you and the officers accompanying you that you are free to pass notes and refer directly to your advisers while you are at the table. I ask everyone to please turn off their mobile phones. The format of the hearing will be that we will begin with Small Business and after approximately one hour and 10 minutes, we will have the remainder of the time for Science and Medical Research.

The House has resolved that answers to questions on notice must be provided within 21 days, or as determined by the Committee. The Committee has not varied the 21-day time frame. The transcript of the hearing will be available on the web from tomorrow morning. All witnesses from departments, statutory bodies or corporations will be sworn or affirmed prior to giving evidence. Minister, I remind you that you do not need to be sworn because you have already sworn an oath to your office as a member of Parliament. All other witnesses are asked to state in turn their full name, job title and agency as well as swear an oath or take an affirmation.

I declare the proposed expenditure for the portfolio of Small Business, Science and Medical Research open for examination. As there is no provision for a Minister to make an opening statement before the Committee commences questions, I will commence asking questions.

BARRY BUFFIER, Director General, Department of State and Regional Development, and

JULIE SCOTT, Executive Director, Small Business Development Division, Department of State and Regional Development, and

DEREK VAN DYK, Acting Executive Director, Office for Science and Medical Research, Department of State and Regional Development, affirmed and examined:

CHAIR: Minister, given the difficult economic times facing small businesses in New South Wales, will the Government guarantee not to increase business taxes to try to recover the \$1 billion shortfall of which we have become aware in relation to the State budget?

The Hon. CHRISTINE ROBERTSON: What taxes?

CHAIR: Business taxes.

The Hon. CHRISTINE ROBERTSON: We do not do that. That is Treasury.

The Hon. HENRY TSANG: It is a whole-of-government decision.

Mr TONY STEWART: The issue you have raised is in relation to budgetary items.

CHAIR: That is what we are here for—this is a budget estimates Committee.

Mr TONY STEWART: I understand that, and that matter is before the budget at the moment. In terms of that, we have a challenge ahead of us, as we all know, to strengthen the New South Wales economy. Very importantly, in the lead-up to the new budget, the Government will fully look into all major capital works programs across the State. At this stage the Government has not ruled anything in or out. That is the approach

that has been taken. The Premier has said that everything will be considered. He wants maximum flexibility in this exercise, as we strengthen the New South Wales economy.

CHAIR: Given the economic times that we are facing, particularly for small businesses, are you plumping in the mini-budget lead-up for there to be no rise in business taxes burdens on those businesses?

Mr TONY STEWART: As I have indicated, we have a challenge ahead of us. That challenge needs to be met in terms of issues that confront the New South Wales budget. The current economic climate is presenting very significant challenges for all businesses, and we recognise that. Chief among them is the fluctuation of interest rates caused by the global credit squeeze that is being spoken about so often at the moment and that affects the cost of working capital. Interest rates also directly affect business investment decisions and consumer demand, as well as the purchasing behaviour of business customers, which also is having an effect at the moment.

Next is the recent sharp rise in fuel costs, which affect both business and consumers. The fluctuations in price need some attention. The increased cost of transport must be absorbed through increased prices. Finally, the fluctuating value of the Australian dollar, which has been very evident in the past few days in particular, is the result of the mining boom and high demand for Australian commodities, plus world economic conditions that are built in currently. Those matters need to be taken into account. A high-value Australian dollar affects globally focused businesses. This means that success in export markets now depends on beating competitors on quality, not simply price. I am pleased to say that New South Wales has a good competition base. That has been firmly put in place with the support of the New South Wales Government.

To tackle the problems I have outlined and other problems, the New South Wales Government is working to create the best possible business environment to assist New South Wales businesses through this difficult period. The Department of State and Regional Development is designing and targeting its information activities in areas most likely to benefit small business operators. As the new Minister I have been around to many of the stakeholders in the small business community in the past few weeks. I have listened very carefully to what they have had to say about their needs, and the Government is responding accordingly. For example, Small Business September is the premier specialist small business event in Australia, and it was held last month. It featured a comprehensive range of workshops as well as presentations and seminars covering most of the pressing everyday small business survival and growth issues.

I am advised that during the month over 40,000 business people attended more than 360 events held throughout the State. That tremendous achievement shows that this event is well and truly on the radar in the business community. Events were held in metropolitan Sydney and in regional centres throughout New South Wales. I attended a number of functions and the feedback I received has been tremendous. These functions and events have been well received because they are seen as tangible, providing an opportunity for businesses to understand what focus they need to pursue and, in particular, how to compete more effectively in the current framework with the world economic issues that confront us.

CHAIR: So the short answer is that you will not give a guarantee not to raise business taxes.

Mr TONY STEWART: As I indicated, there are challenges ahead of us to strengthen the New South Wales budget. We are doing our best, and will continue to do our best, to strengthen the economy for New South Wales business. My role as Minister for Small Business is about providing that emphasis, and I will continue do so, with the support of the overall government. That is being done very successfully.

CHAIR: A report released by Westpac last June showed that New South Wales businesses are spending five hours a week more than businesses in Queensland on complying with regulatory requirements. The extra five hours a week relate to New South Wales regulations as the Commonwealth regulatory framework applies equally across the States. Do you agree that this is a bad result for New South Wales? What are you doing to address that issue?

Mr TONY STEWART: The New South Wales Government is strongly focused on the task of cutting unnecessary bureaucracy and red tape. The Government recognises that small and medium enterprises engaging in tedious administrative tasks that need to be dealt with takes time and resources away from their core business. For that reason, in January 2006 we formed a Small Business Regulation Review Task Force that is committed to finding areas where we can cut red tape on a sector-by-sector basis. It is best to do this in a specialised way. The Government has already endorsed the recommendations of the first three red tape reviews—these have been

successful—covering the motor vehicle retailing and services sector, the accommodation food and beverage services sector, and the metal manufacturing—fabricated metal products, machinery and equipment, and furniture—sector.

An example of how the reviews are delivering benefits to small business is found in the motor vehicle retailing services sector review recommendations, which will potentially benefit more than 20,000 businesses, 96 per cent of which are small businesses that employ about 84,000 people. Amendments to the Motor Dealers Act 1974, which were a direct result of that review, will save motor dealers an estimated \$1.17 million in transaction costs and will reduce the number of forms they fill in from 19 to 13. The accommodation, food and beverage services sector review recommendations will potentially benefit 25,000 businesses, 87 per cent of which are small businesses that employ about 170,000 people. The recommendations aim to streamline development and licence application processes. The industry has been asking for that, and we are moving to address those concerns. The red tape reviews have been successful on a sector-by-sector basis.

Recently, the New South Wales Government endorsed all seven recommendations contained in the review of the metal manufacturing sector. The task force has completed its fourth review—that is, the business and professional services sector—and is finalising its fifth review, that is, the rental car hire and real estate sector, where there have been some issues and concerns about bureaucracy. Meanwhile, New South Wales has worked closely with its Commonwealth—it is important to work in partnership with the Commonwealth—State and Territory colleagues to introduce a national system for registering Australian business numbers and business names, trademark searching and a whole-of-government online business information service that will improve ongoing interactions between business and government. That is a holistic approach in partnership with the Commonwealth and the States and Territories. This will save businesses time and money, and is part of attempts to create a single seamless economy which New South Wales supports.

The Hon. DAVID CLARKE: Given that payroll tax has taken over stamp duty as the biggest single contributor to State taxation revenue, do you agree that much needs to be done to reduce payroll tax, especially when employment levels across the nation are forecast to drop?

Mr TONY STEWART: The New South Wales Government is committed to providing business with a competitive tax environment, and we are seeking to reduce the tax burden on small businesses. Already, the Government has achieved some great outcomes. We have reformed the payroll tax system so that 90 per cent of all businesses in New South Wales do not pay any payroll tax at all. For those that pay wages above the tax-free threshold, the rate has been reduced from 7 per cent, which was the rate under the Coalition Government, to 6 per cent under this Labor Government. In this year's New South Wales budget we announced a further reduction in the payroll tax rate to 5.75 per cent, which will commence from 1 January 2009. That was recently reaffirmed by the Premier, Nathan Rees, to underline our position of supporting business activity in New South Wales.

Importantly, on 1 July this year we increased the payroll tax threshold from \$600,000 to \$623,000, with further rises to be indexed each year in line with the consumer price index [CPI]. That is an important initiative. The threshold does not stay at the same amount; it rises in line with the CPI each year. On top of this, the Government has reduced workers compensation premiums by 25 per cent. These reductions will directly improve the bottom line for businesses in New South Wales, with total savings of \$675 million each year. Businesses are now witnessing that important savings factor. I have spoken to the major stakeholder groups involved in either small business activity or supporting and initiating small business, and these measures have been extremely well received. They have certainly made it easier for businesses to support opportunities in this State and to progress their business. It also makes it easier for businesses to support young people.

We also introduced a \$74 million package so that apprentices' wages are not used to assess an employer's workers compensation premium, which is forecast to increase the number of apprentices by 5 per cent, or an extra 1,000 apprentices a year. We are doing a lot to reinforce the need for apprentices to have opportunities and for businesses to take on apprentices. That opportunity is in place with this initiative. The Government is committed to reducing red tape and reducing the tax burden on small business owners. That is what we are doing tangibly. The Government has achieved a lot so far in this exercise, and I look forward to working on further reforms to make the New South Wales economy and business sector attractive to small business and, importantly, to promote entrepreneurship in our State.

The Hon. DAVID CLARKE: Does the Government believe that the payroll tax cuts put forward in the June budget are adequate, given that Queensland businesses enjoy a \$1 million threshold, whereas the

threshold in New South Wales is only \$623,000, and the payroll tax rate in New South Wales is to be cut to 5.5 per cent over three years when the current rate in Queensland is 4.75 per cent and the rate in Victoria is 4.95 per cent?

Mr TONY STEWART: I have already indicated that we have a tax environment that is working well in line with business expectation.

The Hon. DAVID CLARKE: Clearly it is not working as well as that in Victoria and Queensland and that may be part of the reason why businesses are leaving to go particularly to Queensland. I am referring to the competitiveness of New South Wales as opposed to Victoria and Queensland where there are lower thresholds in respect to payroll tax. How will the Government deal with that problem to be competitive particularly with Queensland and Victoria?

Mr TONY STEWART: I have answered the question in terms of the focus of your concerns. I point out that clearly some of the issues you talk about are due to the resources boom that has affected Queensland and some other States. We have had some significant challenges in New South Wales. We are the largest State but we are here to support business and we are doing it well. The initiatives that I have discussed in my earlier answer comment on that soundly.

The Hon. DAVID CLARKE: Except that I do not think Victoria has a mineral boom. Do you agree New South Wales small business is at a disadvantage when they have a rate of 4.95 per cent already and the rate in New South Wales will be cut over three years to 5.5 per cent? Do you agree that New South Wales is at a disadvantage with Victoria, and that is excluding the mineral boom?

Mr TONY STEWART: As I have indicated, and I will do so again, we have reformed payroll tax so that the system we now have means that 90 per cent of businesses in New South Wales do not pay any payroll tax at all. That is a terrific achievement in the context of a challenged economic environment and the other initiatives in which we are involved in relation to the payroll tax threshold being increased, the supporting of apprentices by providing incentives are initiatives that will provide for this business sector of New South Wales.

The Hon. DAVID CLARKE: With great respect, Minister, I am talking about apples and you are talking about oranges. I refer to the competitiveness of New South Wales compared with other States, something, which you have not touched upon in your several answers to my questions. With the current \$1 billion shortfall in the Government's June budget estimates, due largely to the decline in property transfer duties, what is the Government doing to reduce its reliance on property, motor vehicle and insurance taxes?

Mr TONY STEWART: I refer to my earlier answer on the mini budget, which is important in terms of the challenges ahead of us. In the lead-up to the mini budget the Government will be looking at opportunities to make sure that New South Wales is kept sound economically.

The Hon. DAVID CLARKE: Do you agree that reducing property, motor vehicle and insurance taxes for small businesses would greatly stimulate growth in these difficult economic times?

Mr TONY STEWART: We are doing a lot and we will continue to work with small business and other businesses to strengthen their opportunities in this State.

The Hon. DAVID CLARKE: Do you agree with the proposition that reduction in those areas would assist small business in these difficult times?

The Hon. LYNDA VOLTZ: Point of order: Obviously the member is referring to portfolio areas outside this Minister's area of responsibility. He could not possibly answer questions about other Ministers' areas of portfolio and responsibility.

The Hon. DAVID CLARKE: With great respect the honourable member misunderstands what I am talking about. I refer to taxes for small businesses, which is in this Minister's portfolio. Do you agree that a reduction in the areas of property, motor vehicle and insurance taxes for small businesses—

The Hon. LYNDA VOLTZ: Further to the point of order: It does not only relate to small business it relates to the Government as a whole and other Ministers' portfolio areas. Motor vehicle taxes are not in this Minister's portfolio area.

The Hon. DAVID CLARKE: Does the Minister agree that a reduction in those areas, whether or not you have power to introduce them, will assist small business in this State?

Mr TONY STEWART: My role as Minister for Small Business will be to provide opportunity to assist small businesses towards their focus of maximising profit and the future focus of this State. We are doing a lot of work in that regard, and I will continue to do so.

CHAIR: Does your department monitor how many businesses pull up stumps and move interstate?

Mr TONY STEWART: I am not in a position to answer that directly but the Director General might be able to assist.

Mr BUFFIER: Yes, we do analyse in rigorous details statistics from the Australian Bureau of Statistics. We have comprehensive data about business formation in New South Wales and migration to other areas, and entrants into New South Wales.

CHAIR: What is the latest analysis on migration of businesses from New South Wales to, say, Queensland and Victoria?

Mr BUFFIER: Unfortunately I do not know those figures off the top of my head. I will take the question on notice.

The Hon. HENRY TSANG: Maybe the Director General has figures on new business starting in New South Wales.

CHAIR: You can ask your question later. It would be appreciated if Mr Buffier provides that information on notice.

Mr BUFFIER: We will.

CHAIR: KPMG has reported that regional businesses in New South Wales are paying up to 51 per cent more for electricity than their counterparts in metropolitan areas. Will you advise what the Government is doing to reduce the disparity in electricity charges for businesses in regional New South Wales compared to those in metropolitan areas?

Mr TONY STEWART: I am happy to take that question on notice and provide the substance that that answer requires. I understand the KPMG report demonstrated that prices for electricity were substantially higher in most other States.

CHAIR: Does your Government consider it satisfactory that two years after the Independent Pricing and Regulatory Tribunal made 74 recommendations for red tape reforms, only 23 of those recommendations have been implemented? When will the other reforms be implemented?

Mr BUFFIER: My understanding is those items come under the responsibility of Minister Tripodi.

Dr JOHN KAYE: What are the key concerns of small business in New South Wales? What is worrying small business in New South Wales?

Mr TONY STEWART: There are a number of issues facing small business. This question is important and deserves a substantial and comprehensive answer. The Government recognises our current economic climate is presenting a number of challenges to small business, and I have indicated some of those in my earlier answer. The combined impact of high interest rates, in particular, and the fluctuating Australian dollar have meant that many of our small businesses have been squeezed from several angles and they are feeling that now. Small business has borne the brunt of interest rate rises stemming from the great global credit crunch that we have witnessed in recent times. Banks have lifted their rates for loans to small businesses by even more than they have for mortgages and credit cards, and that is something that is not recognised on the wider radar. Small business do not get the same opportunity with interest rates that larger businesses would attract from banks and the use of credit cards also means that they are involved substantial credit rates of 17 per cent and upwards. I will illustrate the impact of increased interest rates on small business.

In terms of that, between August 2007 and March 2008, the cash rate increased by 1 percentage point; however, small business secured loans rose by an average of 1.8 per cent, so a very significant difference there. As I understand, the price of secured overdrafts rose by an average of 1.94 percentage points. By comparison, housing loans only rose by about 1.55 percentage points. Clearly there is a disparity between what is happening with one sector of loans and what is happening with small business in terms of the loans that they attract from the banking sector. The main reason for this occurring is that business loans are typically priced from the bank bill rate, while mortgages and credit cards are priced from the lower cash rate.

The effect of these interest rates on small business has been twofold. Importantly, the higher cost of obtaining working capital has resulted in a decrease in business lending and investment, particularly in the small business sector, and I have witnessed this talking to a number of stakeholders recently as they have told me about this dilemma and how difficult it is for them to face it in the current economic climate. The Reserve Bank has reported that the growth of business debt has slowed to an annualised rate of about 8 per cent in the first half of 2008, down from an annualised rate of 17 per cent for the second half of 2007, so a very significant slowing down. The Reserve Bank also notes that firms in the wholesale and retail sectors, as well as financial services, have led this slow-down.

The second effect of increased interest rates is the cooling of consumer confidence and spending due to higher mortgage repayments and borrowing costs that businesses endure, which reduce disposable income. It is also worth noting that, as I have mentioned, small business is subject to higher credit card transaction costs than big business, which often obtains discounts in bank transactions. Financial institutions offer lower charges to larger firms as they have higher volumes of transactions.

The New South Wales Government is playing its role in creating the best possible business environment to assist New South Wales small businesses through this difficult period. However, I give this message to banks: It is commendable that we have seen interest rates decrease by 1 per cent or thereabouts in the past couple of weeks, with the Reserve Bank pushing that perspective, but I would like to see some emphasis on credit cards. I know small businesses are doing it tough. They face many challenges, which the member has raised in his questions. One issue would be for banks to look at the realistic opportunity of reducing credit card rates in terms of the percentage of interest rates on credit cards because there are some small businesses that have to rely on credit card transactions simply to survive in the current economic climate. I would urge banks to look at that in a benevolent way in tune with the current economic climate that we all face.

From 1 July this year the payroll tax threshold was increased to \$623,000 and that will rise again each year in line with the CPI. From 1 January 2009 payroll tax will be cut to 5.75 per cent with further cuts to occur in following years. This will have a dramatic effect and is already shaping up to do so with small businesses in terms of assisting them while they are facing other pressures. The Reserve Bank's recent decisions to reduce the official cash rate, as I have said, by 1.25 percentage points to 6 per cent is welcomed and will bring relief to small business in line with some of the comments I have made. In light of the difficult national and global economic challenges that we all face, the New South Wales Government is working very hard to make sure this State is a great place to do business and I am looking forward to the challenges, working in partnership with small business, which deserves opportunity in this State.

Dr JOHN KAYE: Thank you for that quite comprehensive answer, Minister, but one thing you did not mention was competition from larger—particularly multinational—corporations that have lower cost structures. Do you see that as a challenge to the viability of small business in New South Wales?

Mr TONY STEWART: I would like to point out in line with that, while I understand the focus of your concerns, we are addressing business concerns through opportunities that have been put in place through State Government infrastructure. The Rees Government has put in place the Business Advisory Service [BAS] with networks throughout metropolitan and regional communities. We have invested \$4 million in that service. It will deliver opportunities in terms of finetuning small business to compete more effectively and to understand the issues that they may be confronted with, and provide the sorts of focuses and links that small business deserves and needs in terms of a competitive environment.

Dr JOHN KAYE: Can we talk specifically about the retail sector where a lot of the challenges faced by small businesses in shopping malls have to do with planning decisions about allowing large retail mall complexes to be built which generally attract large chain stores? Does the New South Wales Government seek to address those problems where strip shops feel like they are being out-competed by shopping malls?

Mr TONY STEWART: The question you are asking is suited to the Minister for Planning; it is the Minister for Planning's portfolio.

Dr JOHN KAYE: Do you have any input into such planning decisions as the Minister representing small business?

Mr TONY STEWART: My input is to assist through the Retail Leases Act, and that is not an initiative that deals with planning.

Dr JOHN KAYE: So you have no input into planning decisions that might adversely affect small business?

Mr TONY STEWART: We have a planning Minister in New South Wales and the planning Minister is the person responsible for that initiative.

Dr JOHN KAYE: As the Minister for Small Business are you concerned about the trend of retail towards large malls which tend to not contain small businesses but largely chain stores at the expense of strip shops?

The Hon. HENRY TSANG: But large malls have small businesses.

Dr JOHN KAYE: I understand that you are going to have a chance in a minute.

The Hon. HENRY TSANG: I am just helping you. You have to understand—

Dr JOHN KAYE: I don't have to do anything.

Mr TONY STEWART: Clearly large retail complexes have a lot of small businesses within them. I work to support those small businesses and will continue to do so. I am not the planning Minister, but I will certainly support the needs and initiatives that those small businesses pursue.

Dr JOHN KAYE: The State procurement policy does not focus on the needs of small business. Is this a matter of concern for you? Is it a matter that you would raise with the Treasurer?

Mr TONY STEWART: It is not a matter that falls within my portfolio and, as I have indicated to you, I will do my absolute darnedest, as I am doing at the moment, to work with small business to meet their needs as supportively as possible, and in terms of that we have put in place a number of opportunities supporting the initiatives that small business is asking for.

Dr JOHN KAYE: Which State Plan objectives do you see as specifically supporting small business?

Mr TONY STEWART: The objectives contained within the State Plan are P1 and P6.

Dr JOHN KAYE: In what way does P1 support small business?

Mr TONY STEWART: The Director General will be in a better position to answer that.

Mr BUFFIER: P1 talks about increased business investment in New South Wales; P6 talks about increased business investment in rural and regional New South Wales, so they are very closely aligned. We have a number of targets that indicate whether we are on track to achieving results in those areas. They also include some tourism targets, so there is a complex range of key performance indicators. The good news is that on both P1 and P6 we are on the trajectory to achieve target.

Mr TONY STEWART: Which targets in P1 and P6 explicitly refer to small business?

Mr BUFFIER: There are none that refer explicitly to small business, but they talk about business investment. Small business is an important component of business investment in the total business environment in New South Wales. There are 600,000 small businesses in New South Wales, so the investment decisions that

they make feed into those quite significantly and many of the tourism operators in New South Wales are also small business, so they are intricately involved in those targets.

Dr JOHN KAYE: Am I correct in saying that if I went through the State Plan targets I would not find the expression "small business" anywhere?

Mr BUFFIER: That is true, but you would not find the expression "big business" either.

Dr JOHN KAYE: To some extent the State Plan relies on a kind of trickle-down effect—that investment in business will bring some benefits for small business—but there is no specific State target that says we will foster small business.

The Hon. LYNDA VOLTZ: Point of order: I am just wondering about asking a public servant for an opinion on Government policy in regard to the State Plan.

Dr JOHN KAYE: No, I am asking a factual question. I am happy to put that to the Minister. I am happy to redirect it to him. The Minister looks as though he is ready to give us some wisdom.

Mr TONY STEWART: If you ask the question, because it has been confused on a number of issues you have raised. What question are you particularly asking?

Dr JOHN KAYE: I have to admit, Minister, I am struggling. The first question is that there is nothing specific in the State Plan that talks about development of small business and fostering small business. The State Plan does not in any way specifically say we will foster small business.

Mr TONY STEWART: I will just add to what the Director General said. The fact is there is no mention of big business either. Business is business and as far as I am concerned as the Minister for Small Business, small business is big business because there are 645,000 small business units throughout New South Wales employing over one million people and turning over around \$50 billion in export income. That is not too bad. That adds up to big business for me. There is a relativity. In terms of my involvement, clearly I will continue to emphasise the needs that small business has, that is businesses employing relatively few employees and also medium business. In relation to P1 in the State Plan, as the Director General has indicated P1 is about increasing business investment in New South Wales by making us more attractive to business and increasing tourist visits. That has already shown results.

The plan, as I understand it, is to increase visitor nights by 10 million by 2016. That attracts opportunity for small business, without question. You do not need to be an actuarial genius to work that out. In relation to P6, we are working through the regional coordination management groups and regional development boards with local government and local representative groups to set business growth targets. Last night I was at the Premier's Export Awards for New South Wales and I presented the award for the regional exporter of the year. I saw something that has already been achieved out there with the support of this Government. The winner of the award was able to access opportunity through the Department of State and Regional Development and that opportunity added up to dollars at the end of the day. It has certainly bolstered the New South Wales economy because we are turning over around \$30 billion to \$50 billion at the moment in export income through small and other business.

Dr JOHN KAYE: Is that \$50 billion the total export from New South Wales?

Mr TONY STEWART: That is my understanding, about \$50 billion.

Dr JOHN KAYE: It includes substantial sums from coal, about \$10 billion, and from education exports, which are largely dominated by—

Mr TONY STEWART: I have given you a generic figure based on—

Dr JOHN KAYE: How much of that is small business?

Mr TONY STEWART: Certainly a good percentage of it is small business. I have been advised that around \$50 billion is attributed to small business, depending on how you measure the activities. It is relative; it is not easy to say where small business starts and finishes. We are helping to support the opportunity that small

business has in New South Wales and I am proud to be part of that. You talked about the priorities of P1: In 2007-08 private business investment in New South Wales was \$45 billion in real terms, 14.6 per cent higher than in 2006-07. That is an amazing achievement in a short time. The five-year compound growth of private business investment through to 2007-08 was 10.1 per cent, which was above the State Plan trajectory of 7.2 per cent to reach \$80 billion in 2015-16. They are great results. We are on track. There were also 139.1 million tourism visitor nights in 2007-08, including 56.9 million international tourism visitor nights. That all marks opportunity for the State and certainty for small business. There were 82.2 million domestic tourism visitor nights in 2006-07. Things are happening because we have a State Plan that is delivering.

Dr JOHN KAYE: How many employees in the Department of State and Regional Development specifically work on small business issues, that is, their sole focus is small business issues?

Mr TONY STEWART: I will ask the department to answer that because they would certainly have the facts you require.

Ms SCOTT: We have 53 people who work in the small business division but there are other divisions that have people dealing with small business in the regions as well. In total in any given year you would be looking at up to 70 people.

Dr JOHN KAYE: How many of those are involved in the Retail Tenancy Unit's mediation process?

Mr BUFFIER: I will need to consult my notes. I think it is five or six people. I do not have the exact numbers at hand.

Dr JOHN KAYE: It is a relatively small number.

Mr BUFFIER: It is a small number, yes.

Dr JOHN KAYE: And in the red tape reviews? In fact, can you get back to us with a breakdown of the activities that those 53-odd people and the 70-odd people are involved in across issues such as the red tape review and the Retail Tenancy Unit and so on?

Mr BUFFIER: I can certainly do that. The figures that I have here indicate that at the end of August there were 8.6 FTEs in the Retail Tenancy Unit. We will give you further details.

Dr JOHN KAYE: How many people are involved in policy formation around small business?

Mr BUFFIER: I do not have that figure. We do not split it up on that basis. We do policy development in various parts of the department. The small business area is more about business development than policy development, but there are aspects of policy that influence small business. Some policy is done in small business and some small business policy is done in other areas. We can come up with an approximate number of FTEs.

Dr JOHN KAYE: The Minister referred to this earlier in his answer to my first question: Given the collapse in the Australian exchange rate and the impact that will have on small businesses, which I would imagine are more sensitive to import and export and hence it will have a substantial impact on small businesses, what steps is the Government taking explicitly to address the exposure of small business to the exchange rate?

Mr BUFFIER: Ascertaining the exact impact of exchange rates on small businesses is difficult because statistics are not collected separately. However, an exchange rate of 70¢ is an environment in which most small businesses have been operating and have been used to operating. The 98¢ exchange rate was something of an aberration and a windfall gain for those small businesses that were importing. We would have the view that most small businesses have developed their financials around an exchange rate of about 70¢ so that an exchange rate of that level would not put any extraordinary or unanticipated strain on small businesses.

The Hon. HENRY TSANG: Minister, it is my understanding that industry and the business world refer to small and medium businesses as "S and M" rather than just small business. Is that true? Does your portfolio look after small and medium businesses? If that is the case, what small and medium business events have been held in 2008 to help businesses in New South Wales thrive?

Mr TONY STEWART: It is clear that a lot has occurred in 2008 to support small business and medium enterprises. I will not repeat the acronym in case I get into trouble. As I indicated earlier in previous answers to questions, the Government, through the Department of State and Regional Development, has provided the right opportunities for small business in particular to hit the ground running and to get the results that it deserves and needs in this great State. Of the three key programs held this year which have highlighted the contribution of the small business sector to the local, State and national economies, Small Business September is by far the largest. It has provided some of the best results for small business compared to any other sector.

Small Business September is the premier specialist small business events program in Australia. This month-long program, which has just been completed, is in its ninth successful year. It features a comprehensive range of events for business owners at all stages of the business growth cycle. As the new Minister I have been part of those events and I give an accolade to the Department of State and Regional Development for the role that it played and for its hands-on approach in working with businesses. Last night I attended the New South Wales Export of the Year Awards, an event attended by more than 650 people and a number of businesses. As I went around the tables many businesses told me how successful Small Business September had been for them. They had accessed it, used it and gained opportunities to help them in their employment of people and their success in this State.

As I said earlier, Small Business September is the highlight of the State's small business calendar. The New South Wales Government publicly acknowledges its contribution to improving the role of small business. The statistics are impressive. Over the past nine years nearly half a million people have sought advice and attended expos and workshops, provided courtesy of Small Business September. Small Business September is Australia's longest-running celebration of small business. This annual demand for fresh information is fuelled by hundreds of thousands of people in New South Wales who have embarked on their own small business ventures. With events from Coffs Harbour to Coonamble and Broken Hill to Bega, the New South Wales Government's Small Business September '08 has easily fulfilled its aim of making help accessible to every business owner or operator, no matter where they live or work.

This year's Small Business September is one of the most successful in its nine-year history. During the month of September over 40,000 people attended around 360 events—a tremendous accolade—58 per cent of which were held in the metropolitan area and 42 per cent of which were held in regional areas. Importantly, this event supports businesses in regional New South Wales. The events were conceived and hosted by 150 partner organisations as well as the small business development division of the Department of State and Regional Development. It is important to emphasise the successful partnership forged by the department with interest groups, organisations, support organisations and businesses to provide hands-on opportunities for small business operators in New South Wales. The theme of this year's Small Business September was "Connect, Innovate, Create, Deliver", which is what is occurring.

Last night's event was a great example of businesses connecting and being innovative. Hot Rock Dining International Pty Ltd was the winner of the Export of the Year Award. It sounds as though Hot Rock Dining International is a rock band but it is not—it is a company based in the Southern Highlands that produces specialised hot rocks that can be used for cookware. It is selling cookware to places all round the world, including India, the United Kingdom and China. This company, which started from humble beginnings, had the support of events such as Small Business September. Hot Rock Dining International is hot rocking and rolling with the rest of the world, delivering opportunities to this great State through its tremendous export program. This "Connect, Innovate, Create, Deliver" theme comprises actions that form an integral part of operating a successful business.

Small Business September offered business owners a selection of informative and relevant events that included fresh ideas, knowledge and opportunities in areas such as business sustainability, sales, marketing, customer service, managing staff, international trade and much more. To illustrate the variety of events on offer during Small Business September '08 I would like to recall some of the highlights of the program. It is worth blowing the trumpet for this one-month event. More than 100 people attended the first major event, "Busting Small Business Myths", which was held on 2 September. The event was hosted by Robert Lee, the voice behind the popular *Mythbusters* television program, which my son loves watching.

We chose Robert Lee because he created the *Mythbusters* program and because the focus of our event was about busting the myths that face small business, enabling them to get ahead, giving them opportunities and a tangible understanding of their environment. The event featured presenters from Small Business September

sponsors such as Sensis, Australia Post, Austrade and several small business owners who helped to promote business opportunities in this State. The finals of the Young BizStar business pitching competition showcased the talents of the best emerging young business people in New South Wales who pitched their business ideas to a panel of judges and who benefited as a result.

The "Dubai and Beyond" series of events examined export opportunities in this lucrative market and provided case studies of successful exporters. Many members know how lucrative the Middle Eastern market is but they are also aware of the challenges that businesses face in accessing that market. The "Dubai and Beyond" series of events provided the key to that access. The series was a collaboration between Austrade and the Department of State and Regional Development and attracted more than 200 people. The closing event, "Small Business Big Issues", held at the Australian Maritime Museum on 30 September, focused on five key issues identified by small business owners via an online poll conducted through the NSW Small Business website.

The issues included work-life balance—members would be aware that it is important to achieve such a balance but that is not easy for small businesses to do—marketing, economic uncertainty, taxes and turning ideas into reality. If small businesses have an idea they need to know how to make it work. Businesses are given an opportunity to do that through the provision of information. I am pleased with the feedback conveyed by participants through evaluation forms provided at Small Business September events. Ninety-seven per cent of attendees expressed satisfaction with the presentations and their content, while 93 per cent of respondents said that the content of event presentations would be useful in their business.

This is a particularly significant indicator as the success of any event program such as Small Business September depends on its relevance to the small business community. Getting such feedback and understanding enables us to finetune things for next year's event and to make it better. Highlights included the launch of the New South Wales Export Awards, a seminar on international collaboration and innovation, and targeted events for women and young manufacturers. Site visits were also held to enable participants to observe cutting-edge technology and production practices at some of Western Sydney's leading manufacturers. I thank all those who contributed to this initiative, including B&D Doors, Cormack Packaging Manufacturing Pty Ltd and Alcoa Australia Rolled Products.

Home-based Business Week took place from 19 to 23 May. We should not lose sight of how many businesses are home based, which is why they need our support. That is why we need to support them. It comprised 37 events throughout the State—10 metropolitan and 27 regional—with over 1,600 participants attending. Small Business September is a terrific opportunity to showcase small business. I thank the Department of State and Regional Development for its input on this whole initiative.

The Hon. CHRISTINE ROBERTSON: Can you tell us how the Aboriginal roundtable is assisting Aboriginal people in business in New South Wales?

Mr TONY STEWART: I am pleased to answer that very important question. In August this year the Department of State and Regional Development established the Aboriginal Business Roundtable, which is chaired by the Director General, Mr Barry Buffier. The roundtable comprises private sector representatives from the mining, construction and banking industries, as well as public sector agencies including the Department of Housing and Forests New South Wales. The purpose of the roundtable is to secure sustainable business opportunities for Aboriginal businesses—a very important initiative for obvious reasons. These outcomes will be achieved by establishing a connection with other businesses to provide mutual benefit. The roundtable also provides a platform from which industry and government can exchange information and ideas about strategies and policies.

The intention is to assist the economic and business development of Aboriginal communities and businesses, and also to give those communities confidence to deliver these important perspectives to help run the entire community initiative. The strategies include the recruitment and retention of Aboriginal employees and access to procurement by Aboriginal businesses: It is empowering people to understand opportunities presented to them and how to work towards them. The roundtable is a practical demonstration of the genuine commitment of corporate Australia to making a difference to Aboriginal people—a difference they deserve and need. By developing a diverse workplace and providing meaningful jobs, businesses can develop a reputation as an employer of choice.

A key facet of the roundtable is to expand on the work achieved under the New South Wales Government's Budyari Ngalaya First Peoples Partnership Program. It achieves this by identifying employment

opportunities for Aboriginal people. The program is managed by the Department of State and Regional Development and supports the formation of linkages between Aboriginal people and businesses. These linkages provide companies with a pool of skilled labour—a very important tool—access to new subcontractors and service providers, and support business growth. In the past 12 months the program facilitated contracts for Aboriginal businesses valued, I am pleased to report, at over \$5 million, and led to the creation of more than 150 new jobs. Therefore, it is providing jobs and opportunities for the Aboriginal community.

The most recent roundtable success centres on an agreement by Thomas and Coffey Ltd—a leading Hunter mining business that employs 200 Aboriginal people in the Hunter region. Thomas and Coffey Ltd asserts that obtaining people with the right skills is an ongoing and significant challenge for the company. It is working with the Government and the Aboriginal community to achieve that initiative and is gaining fruitful results. Following roundtable discussions, the TAFE New South Wales Hunter Institute agreed to a collaborative partnership arrangement, about which I am very pleased. The institute is providing a pilot training course for all 200 Aboriginal people to a level specified by the mining industry. The training will bring employees up to speed with mining practices, techniques and technology essential to understand their work roles.

A memorandum of understanding [MOU] was recently signed to formalise this arrangement. The MOU is an excellent example of how the Government and the private sector can work together to achieve a common goal. This is a successful way to demonstrate that. The arrangement will provide the mining company with access to a skilled workforce within the Hunter region. This is particularly important in light of the ageing workforce and the skills shortages we face throughout New South Wales and Australia.

The Hon. CHRISTINE ROBERTSON: It is very exciting.

Mr TONY STEWART: As a result we are very excited because it is an arrangement that is working in partnership with the community. It is a win for business and a win for the Aboriginal people. I commend the Aboriginal roundtable on its achievements so far, and welcome its contribution to future successful outcomes for Aboriginal people and businesses in New South Wales.

The Hon. CHRISTINE ROBERTSON: Will you advise the Committee what the Government is doing to ensure the small business community is embracing initiatives to combat climate change?

Mr TONY STEWART: Climate change is a topic affecting everybody and one about which we all need to be acutely aware. The New South Wales Government recognises that climate change is a significant issue for small business. Stakeholders I have met have raised this unilateral concern in their need to understand, become involved and do the right thing. Indeed, in June 2005 the New South Wales Government became the first Australian jurisdiction to commit to long-term carbon reduction targets. It set a target of a return to year 2000 greenhouse gas emission levels by 2025, and a 60 per cent cut in greenhouse emissions by 2050. Under the State Plan, the New South Wales Government has set a target of achieving 15 per cent renewable consumption by 2020.

New South Wales led Australia in the introduction of a mandate requiring ethanol-blended petrol to be widely available. Since 1 October 2007 petrol companies have had to ensure that 2 per cent of the total volume of petrol sold in New South Wales is ethanol. In addition to setting far-reaching targets for carbon reduction, renewable energy generation and biofuel mandates, the New South Wales Government is committed to collaborative alliances between government, business and research to ensure a smooth transition to a low-carbon economic environment. We will be working closely with small business to ensure this is achieved in line with the expectations and needs of the business environment. The New South Wales Government has a number of business programs providing assistance for companies to grow. They include investment facilitation and advocacy support for major projects; business skills development targeted to start-ups, inventors and young entrepreneurs to give them a kick along by providing them with the opportunity they deserve; customised business improvement programs for manufacturing enterprises; and encouraging technology diffusion and best practice through support for innovation clusters. Those clusters are making a big impact in providing opportunity towards a common focus.

Export programs, including support through trade missions and independent market visits also are important. The New South Wales Government also plays a role in supporting local industry access supply chain and project opportunities through the Industry Capability Network. This includes assisting the proponents of major low-carbon energy and energy efficiency projects to identify local manufacturing and service capabilities,

and to work with them towards achieving those ends. Schemes specifically aimed at encouraging the take-up of renewable energy and energy efficiency include GreenPower and the Climate Change Fund. GreenPower is a national accreditation program that was started and managed by the New South Wales Government.

The program is dedicated to driving investment in renewable energy in Australia and increasing the sustainability of our electricity supply. As a voluntary program, GreenPower now boasts a quarter of a million residential and business customers—it is on the radar and making a difference and involves many small businesses; 265 solar, wind, wave, micro-hydro, and biomass generators; and 14 retail partners around Australia. Each one of these steps has a direct effect on the State's small business community. It is important to realise that the New South Wales Government is mindful of a potentially disproportionate impact of new so-called "green" regulations and climate conditions on small business operations. I will be working with them to help them understand those needs.

With this in mind, the New South Wales Government is developing educational materials and tools suitable for small businesses to deal with this issue. These tools will help small business develop strategies that allow them to adapt to new regulations and requirements. Importantly, the educational information will also describe how small business can adopt new sustainable and renewable technologies. Sustainability was one of the hot topics of the New South Wales Government's Small Business September. It was discussed at many of the forums that I previously mentioned during questions. It is certainly a forum that small businesses want to be involved in to provide input, demonstrate their commitment, and participate in a forum that meets their needs as well. The New South Wales Government is leading the Taskforce's activities.

CHAIR: Minister, I ask you to wind up.

Mr TONY STEWART: I am drawing my remarks to a close right now, Madam Chair. The task force is designed to try to minimise small business's green tape. We will be working closely with small business representatives to do that. I thank the member for the question because it is an important one. The New South Wales Government is determined to ensure that small business is given every opportunity to thrive while maintaining financial sustainability in the current economic environment. Certainly we will be working closely on the initiatives related to the question that has been asked.

CHAIR: Thank you, Minister. We will now move to the Science and Medical Research component of the portfolio. The time for asking questions will be 10 minutes for each member and then a couple of minutes for each member at the end.

The Hon. DAVID CLARKE: Minister, how many submissions did you receive to the New South Wales Government's review of the Medical Research Support Program?

Mr TONY STEWART: That is a question that the Director General is best suited to answer.

Mr VAN DYK: Submissions for that have only just closed. We do not have the exact figures. I cannot give you that right now. They closed this week.

The Hon. DAVID CLARKE: Okay. One of the submissions was a joint submission from the chairmen of the nine leading medical research institutes in New South Wales. It points out that medical research support funding in New South Wales has actually fallen to the parlous level of around 17¢ per dollar of peer-driven grants funding, despite the acknowledgement that 70¢ of State support funding is required for each \$1 of competitive grant funding. Minister, why has your Government allowed medical research support funding to reduce to such a low level? Will you rule out further cuts in the November mini-budget? How do you expect New South Wales to compete with other States for competitive grants, given such a low level of funding?

Mr TONY STEWART: Through the Medical Research Support Program, the New South Wales Government provides triennial funding to New South Wales health and medical research organisations to assist our leading medical research institutes to meet many of the costs associated with research grants attracted from the Commonwealth. In the current triennium funding period for 2006 to 2009, we have provided an additional \$13 million, boosting the Government's total allocation to this important area to \$64 million, which averages at approximately \$21 million per year. This level of support is consistent with other States, such as Victoria.

The funding provided by the Medical Research Support Program is in addition to other major State funding contributions to health and medical research, with key highlights including \$198 million for medical

research capital works that have commenced since 2005-06 and are at an advanced stage of planning at the moment. This has included capital support for institute facilities at the wonderful Garvan Institute, the Victor Chang Institute, the Woolcock Institute, the Children's Cancer Institute of Australia, the Hunter Medical Research Institute and the Royal North Shore Hospital. I can also inform the member that a \$25 million boost to support New South Wales life sciences research and commercialisation has been provided and that \$8.4 million in additional funding over the next three years from 2007-08 for spinal cord injury research will build on the State's previous investment of \$10.9 million.

Philanthropy is another very important source of funding for medical and health research, and we are taking that on board. This is reflected in many of the new partnerships that the New South Wales Government is seeking to promote for the State, such as the Lowy Cancer Research Institute. The New South Wales Government has committed a total of \$18.3 million towards the construction of this new state-of-the-art facility, bringing together the research activities of the Children's Cancer Institute Australia and adult cancer research groups at the University of New South Wales medical campus in Randwick. It is a tremendous opportunity to develop future progress.

I see facilities such as the Lowy Cancer Research Centre ushering in a new era of philanthropic support for the State. What these centres have achieved is amazing, and what they will achieve in the future will be incredibly important. I have visited many of the current research institutes, and I can only state my amazement at what has been achieved and at future medical opportunities for the State, the nation and the world. Through increased Commonwealth engagement, now that the Howard reign has come to an end, strategic partnering and targeted investments to support the development of research facilities and platforms to address State and national health priorities are becoming easier to deal with. The New South Wales Government is working on new ways to increase the State's national funding share in medical research. I have written to the Federal Minister for Health and requested a meeting with her to discuss these issues. I assure members that currently we have a framework and environment between the State and Federal governments that is fruitful, and a good working relationship between both levels of government should provide future progress and opportunities.

The Hon. DAVID CLARKE: Minister, I do not wish to be rude, but I just want to get back to the specific questions I asked. This is interesting information, but I do not know that it is really related to the questions I asked. I asked: Why has your Government allowed medical research support funding to decline to such a low level? For example, funding has fallen from 29¢ in the dollar to 17¢ in the dollar over the past 18 months. Are you aware of that? How do you account for that decrease in funding?

Mr TONY STEWART: I thought I was answering your question in a very justifiable and substantial sense, and I will continue to do so.

The Hon. DAVID CLARKE: Yes, but I just point out that if we cannot get through the information, we might have to seek to have a supplementary meeting of this Committee.

Mr TONY STEWART: That may be the case, and good luck to you.

The Hon. GREG DONNELLY: That will be a decision for the Committee.

Mr TONY STEWART: I am happy to facilitate the provision of any information about this subject because saving lives through medical research and science activities in this State is very important. The National Health and Medical Research Council's funding of research in New South Wales has continued to increase relative to the national average.

The Hon. DAVID CLARKE: Your Government's funding has continued to decrease.

Mr TONY STEWART: I am happy to answer the question, but I can only answer one question at a time.

The Hon. DAVID CLARKE: With great respect, I have not had any of my questions answered.

Mr TONY STEWART: Which question would you like me to answer?

The Hon. LYNDA VOLTZ: Point of order: The Hon. David Clarke is now debating the Minister's answer. He has asked the question and the Minister is answering the question. He should allow the Minister to answer.

CHAIR: Minister, we have limited time, so if you could give us as brief an answer as is possible it would be appreciated. Minister, do you have an answer to the Hon. David Clarke's question?

Mr TONY STEWART: I am happy to take it on notice and provide an answer.

The Hon. DAVID CLARKE: Okay. Would you take on notice: Why has your Government allowed medical research support funding to decrease to such a low level?

Mr TONY STEWART: I meant to say, having said that with all respect, Chair, that I need to actually have the question stated. It is not clear what question was being asked.

CHAIR: It is on the transcript.

Mr TONY STEWART: It is not clear to me what question was actually being asked. I ask the Hon. David Clarke to specify the question.

The Hon. DAVID CLARKE: I will specify the question.

Mr TONY STEWART: I will be more than happy to respond.

The Hon. DAVID CLARKE: I will specify it again.

Mr TONY STEWART: I am more than happy.

The Hon. DAVID CLARKE: Why has your Government allowed medical research support funding to decline to such a low level? The second question I asked you was very specific: Will you rule out further cuts in the November mini-budget? My third question is: How do you expect New South Wales to compete with other States for competitive grants, given such a low level of funding? If you would like to take the questions on notice, I would be happy to receive the answers.

Mr TONY STEWART: While we will provide information that has been requested, I point out that yesterday the Commonwealth announced the Australian Research Council's 2009 funding round and that researchers in New South Wales have won more than \$127 million in Australian Research Council funding for 371 research projects. That is a tremendous result by any standards. I proudly announce that this equates to 35 per cent of the national total and it is the highest proportion in terms of total research funding awarded to any State in Australia. When the State's percentage of the national population is taken into account, it is the highest result. In line with the issues being raised, this is a great accolade for New South Wales as well as for science and medical research in the State, which have achieved fantastic results.

The Hon. DAVID CLARKE: Will you take on board my question as to why funding has fallen from 29¢ in the dollar to 17¢ in the dollar over the past 18 months?

The Hon. LYNDA VOLTZ: Point of order: With regard to taking the question on notice, my previous point of order was about the member debating with the Minister when the Minister said that funding had not dropped. The Hon. David Clarke is asking the Minister to take on notice a question he has already answered, restating the facts that he has already said are untrue. I am not sure how the Minister takes that on notice when he has already answered it.

The Hon. DAVID CLARKE: I put specific questions, and I understand that there has been no specific answer to those questions. That is why I understood that the Minister had agreed to take those specific questions on notice.

CHAIR: The Hon. David Clarke is simply trying to ensure that the Minister has got the questions on notice.

Mr TONY STEWART: I will check the figures when the question is provided. In terms of project grants, it was announced today that New South Wales received \$106 million. This is 29.7 per cent of the total. That is up from 24 per cent last year to 25 per cent. That demonstrates that we are taking the lead in this whole process.

Dr JOHN KAYE: Are you aware of a study by the Queensland Institute of Medical Research looking at the number of deaths in Australia caused by tanning beds or solariums?

Mr TONY STEWART: At this stage I am not aware of the actual figures. The issue of solariums is a concern to me, as it is to the honourable member. It is something that I intend to pursue in terms of the operation of my portfolio.

Dr JOHN KAYE: Can you confirm for us, on notice, whether it was 43? It is reported in the media that 43 people are killed each year by tanning beds. It would be good to have that confirmed. Is it correct that State-based regulations about solariums and their use are being prepared?

Mr TONY STEWART: I have already indicated my position on this. I understand that the Committee has agreed that this is a cancer-related issue, it was dealt with by the Minister for Health during his deliberations last Monday, and any questions of this nature need to be referred to the Minister for Health, John Della Bosca.

Dr JOHN KAYE: So you are no longer the Minister for cancer.

Mr TONY STEWART: My understanding is that an arrangement was made that the Minister for Health would provide answers to any questions asked, and that is what was done.

CHAIR: That is my understanding.

Dr JOHN KAYE: Can we talk about nanomaterials? That is within your portfolio?

Mr TONY STEWART: I am happy to answer your questions.

Dr JOHN KAYE: Are you aware of a recent review by a group of researchers at Monash University of Australia's current Federal regulations on nanotechnologies, which found six gaps in the capacity of the existing regulations to manage the risks of nanomaterials in commercial use?

Mr TONY STEWART: That is why, among other reasons, on 6 December 2007 the previous Minister for Science and Medical Research requested that the Legislative Council's Standing Committee on State Development conduct an inquiry into nanotechnology in New South Wales. I am sure that many members are familiar with some of the potential advances of this technology. For example, nanoparticles have potential application in the thermal treatment of tumours and in medical diagnostics. Nanomaterials are already in use in some household items, such as paints and clothing material, and nanotechnology is integral to the development of quantum computer technology. By 2014, 15 per cent of global manufactured goods, valued at about \$US2.6 trillion—that is an amazing feat—will incorporate nanotechnology.

However, there is a level of concern in the community about the relative lack of understanding of the environmental, health and safety impacts of nanotechnology products and processes, which I think is the focus of the member's question. The New South Wales Government felt that there needed to be detailed understanding of the issues before a regulatory framework could be put in place. That is why the inquiry into nanotechnology in New South Wales was initiated. Conducted by the Legislative Council's State development committee, the inquiry has received 26 submissions from various stakeholders, including the New South Wales Government, and has heard evidence from scientists, researchers, unions, and environmental groups, as well as the previous Minister for Science and Medical Research.

The committee is due to deliver its report to the Government by 31 October 2008. The inquiry will inform a more balanced consideration of all issues that relate to nanotechnology, including the health and safety risks and benefits, and the potential for nanotechnologies to be key contributors to economic growth driven by innovation in areas such as manufacturing and communications. The inquiry report will provide a detailed view of nanotechnology in New South Wales, in particular its current and future applications of technology, including its importance to New South Wales industry, and the scope of knowledge on the environmental impacts of nanoparticles. We will also gain a better understanding of how regulatory frameworks deal with nanomaterials,

education and skills development opportunities and requirements, and options to engage the New South Wales community to enable an ongoing discussion of the place of nanotechnology in the New South Wales community and beyond.

Dr JOHN KAYE: I am not talking about the nanoparticles and nanotechnology used in manufacturing processes but about those products that make direct contact with humans, particularly food. From a risk management point of view, are you concerned that waiting this length of time may result in unnecessary exposure to dangerous products?

Mr TONY STEWART: I am confident of the outcomes of the inquiry I have just discussed. You are talking about nanotechnology?

Dr JOHN KAYE: I am talking about nanotechnology.

Mr TONY STEWART: Nanotechnology will play a vital role in future initiatives that need to be developed, and that will be done in the current funding cycle.

Dr JOHN KAYE: No doubt the inquiry is a current inquiry and will gather a lot of information. What I am saying is that there is an issue of risk, and while you are waiting to receive the report, then digest the report and then come up with recommendations—

The Hon. CHRISTINE ROBERTSON: Next week.

Dr JOHN KAYE: —which may well be next week, and then make recommendations, are you concerned about the risk aspects of continuing exposure to nanoparticles through products such as sunscreen and clothes?

Mr TONY STEWART: As the member is aware, it is not a simple issue. It is being considered carefully through the formation of this report, which is due by 31 October. It is not fair or reasonable to pre-empt the outcomes of that report because it is a report by a standing committee of the Upper House of this Parliament. The issue is also being dealt with comprehensively by the Commonwealth Government and international agencies. There is a lot happening in this sphere and focus, and I look forward to the production of the report before we undertake decisions in this State.

Dr JOHN KAYE: As am I. Given that that the nanotechnology area is advancing rapidly, what steps will you take to ensure that the New South Wales Government is informed of the state of the art in the development of nanotechnologies, particularly in terms of understanding the potential health impacts of nanotechnology products? I am referring to after the receipt of the report, which will be a snapshot of where we are at now at it is an ongoing field that will continue to develop.

Mr TONY STEWART: As I have said, currently that report from the Parliament's standing committee will be important in this focus. I am also considering the implementation of an expert panel to deal with this issue and its implementation. That expert panel will be drawn from key stakeholders, including government experts and scientific experts, and will focus overall on stakeholder involvement in this issue.

Dr JOHN KAYE: I congratulate you on that move. Will that expert panel include industry representatives?

Mr TONY STEWART: Yes, it will.

Dr JOHN KAYE: How will that expert panel resolve the conflict between industry interests and the protection of public health?

Mr TONY STEWART: As I said, it will be an all-encompassing panel to deal with stakeholder interests. It will be drawn from industry stakeholder groups and unions. It will have a community focus with scientific and medical groups. It will provide a very substantial brief on understanding the overall issues that confront the community with this technology and its future implications.

Dr JOHN KAYE: When will you formally announce the composition of that panel?

Mr TONY STEWART: I cannot say that at the moment. It is under consideration.

The Hon. LYNDA VOLTZ: Will the Minister advise about progress of the Government's Science Leveraging Fund?

Mr TONY STEWART: The Government understands the important role that is played by research and development in maintaining a strong and innovative economy. That is why the Government is continuing to invest in research and development to help underpin our State's important future. The Government's \$40 million Science Leveraging Fund is a strategic investment in this State's research capacity to help create new jobs, new skills, and new value-added industries. The Science Leveraging Fund started in 2006-07 and will continue until at least 2010. It specifically aims to boost research and development capacity by increasing the competitiveness of New South Wales research consortia in their applications for science research funding, mainly from the Commonwealth.

The Science Leveraging Fund allocations help position peak New South Wales research groups to win funding from Commonwealth programs, ensuring a greater return of research investment to this State. It puts them in the right position to gain funding from the Commonwealth to make the difference that is needed by the New South Wales community for their research programs. Key Commonwealth funding programs that are being targeted by the Science Leveraging Fund include: the National Collaborative Research Infrastructure Strategy, which aims to develop world-class research infrastructure and expertise that can be used by universities, government agencies and business; a second Commonwealth program, the Cooperative Research Centres [CRC] Program which supports consortia of industry and public sector research partners undertaking applied research, development and education; the third program, the Australian Research Council Centres of Excellence Program which concentrates and builds critical mass in areas of international research excellence.

To date, the New South Wales Government has committed approximately \$26.4 million in funding from the Science Leveraging Fund to New South Wales research centres, helping them leverage approximately \$171 million in infrastructure investment from the Commonwealth, and \$355.9 million in cash and in-kind from consortia partners. This approach works to attract scientific investment in this State. Those figures represent the effectiveness of the Science Leveraging Fund program in attracting external funding to research institutions in New South Wales. I have seen the results when I have visited the programs already throughout the State. This money has boosted the capacity of a range of facilities, and has placed them in a stronger position to access further Commonwealth funding. This is about making them stronger and ready to achieve additional funding down the track on a needs basis.

The Science Leveraging Fund allocations to date have been: \$5.5 million to characterisation facilities including support for microscopy, micro-analysis, scanning and imaging infrastructure, techniques that are crucial to our research efforts in materials and medical research; \$5 million to fabrication facilities in New South Wales including five different New South Wales universities, to assist research in areas including nanotechnology, advanced materials, photonics and micro-processing. \$5.1 million towards biotechnology related areas including biofuels, proteomics, genomics, bioinformatics and recombinant proteins; \$2.8 million towards an information technology-enabled research network the Institute for Transdisciplinary Research Services and Technology [INTERSECT]—to give researchers access to information technology for their work in fields as diverse as climate change, linguistics and finance. INTERSECT currently has six university members, and will be working to increase this collaboration more broadly; and \$1 million towards a Population Health Research Network to help researchers get access to shared and de-identified health research data nationally.

This Science Leveraging Fund support is in addition to a further \$1 million provided by the New South Wales Government through the Health portfolio. A total of \$2.8 million to four Cooperative Research Centres; the Capital Markets CRC, leading the research and training effort in mechanisms to monitor and detect fraud in real-time; Sheep CRC, helping to strengthen the sheep meat and wool industry; Hearing CRC, through its partners in New South Wales including Macquarie University and Cochlear Limited, is helping turn New South Wales into a leading Cabinet in Confidence, Public Administration Committee centre for hearing technology and research; Smart Services CRC, doing research and development leading to innovative technologies to assist the Australian service industry; and the Government.

The New South Wales Government has also provided \$525,000 to the Defence Materials Technology Centre, a national initiative to develop new materials and armour to better protect our armed forces. A total of \$3.636 million has been provided to nine Australian Research Centres of Excellence operating in New South

Wales. These include the: Centre for Autonomous Systems, a world leader in robotics; Centre for Biotechnology and Development, exploring conditions related to male reproduction, including fertility and cancer; and the Centre of Excellence for Complex Dynamic Systems, whose research and training efforts contribute to our mining, transport, energy, and telecommunications sectors. There are many other initiatives under the program.

I will summarise and point out that Integrative Legumes work is leading New South Wales toward advices that have applications in biotechnology, agriculture and environment. The Centre of Excellence for Mathematics and Statistics of Complex Systems is developing mathematical models for natural and artificial complex systems, allowing us to better understand and control them. Such systems include the financial system, engineering grids as well as the spread of pests and disease. Along with many others the research being undertaken by centres in New South Wales will help underpin the New South Wales Government's promotion for innovation, as outlined in New South Wales statement of innovation.

Finally, the Science Leveraging Fund is helping us target Innovation Statement goals of: improving human capital, upgrading knowledge and information infrastructure, reducing cost to business of utilising science and technology, and encouraging capital allocation to invest in innovation. This program invests in quality research in New South Wales and the Commonwealth. It is delivering and recognising the quality of our researches. As I have already said, the Commonwealth announced the Australian Research Council 2009 funding round. Researchers in New South Wales have won more than \$127 million in ARC funding for 371 research projects. I am proud to announce that this equates to 35 per cent of the national total—the highest proportion in terms of both total research funding awarded to any State, and percentage of national population.

The Hon. LYNDA VOLTZ: Could you tell us about the inaugural New South Wales Scientist of the Year awards?

Mr TONY STEWART: Thank you for asking about this very exciting area of interest. This new position forms an important part of the State Government's work to accelerate the New South Wales research effort and makes sure it is translated into high skill, high value jobs in the industry in New South Wales. The New South Wales Chief Scientist will be a champion for the excellent science and medical research undertaken in New South Wales and is a fantastic initiative in waving the flag for science.

Dr JOHN KAYE: Did you say New South Wales Chief Scientist?

Mr TONY STEWART: That is right. You are not happy with that?

Dr JOHN KAYE: I am very happy with it.

Mr TONY STEWART: It is a very exciting announcement.

Dr JOHN KAYE: I thought the question was in respect of scientist of the year?

Mr TONY STEWART: No.

CHAIR: It was actually.

The Hon. LYNDA VOLTZ: But we want to hear about the chief scientist, so please continue?

Dr JOHN KAYE: It is fine; I am sorry for interrupting you.

Mr TONY STEWART: I think it is indicating importantly that the chief scientist will be wonderful for all scientific research in this State and we will all be very proud of what is achieved.

CHAIR: I have some questions about the budget papers. Is it not true that the budget papers show that you are cutting the science and medical research budget by \$3.529 million, that is down 9 per cent? Is it not also true that the science and medical research project grants, which are identified in the State budget papers, in fact come from the National Health and Medical Research Council, that is via the Commonwealth, and can you explain what the rationale is for cutting the funding to assist science and medical research projects by \$2 million, that is from \$36 million down to \$34 million, in the 2008-09 budget? What is the rationale for those cuts?

Mr TONY STEWART: I will refer your question to the Director General.

Mr BUFFIER: Some of those variations relate to timing of some fairly large items at the end of the financial year and in particular the major component of the decrease is primarily due to the payment of several specific grants under the medical research and science grant towards the last quarter of 2007-08, so it is largely a timing issue.

CHAIR: Minister, what is the rationale for employing three additional FTE staff for the Office for Science and Medical Research when at the same time you are cutting research support grants by \$2.689 million?

Mr TONY STEWART: I will refer that question to the Acting Executive Director of the Office for Science and Medical Research.

Mr VAN DYK: I will answer that in two parts. The cut that you refer to actually reflects the front-end loading for our science research programs. The Minister has referred to the science leveraging fund. The science leveraging fund operates in conjunction with Commonwealth funding. Those programs are lengthy, quite often they involve infrastructure, and they require the majority of the payment up-front. Those funds are flowing over three years and we have, as I have said, front-end load in it, so it is not so much a \$3 million decrease. In terms of the three additional FTEs, those are positions that are associated with our internal position around the chief scientist and scientific engineer and how we resource that office.

CHAIR: Minister, have you had a ministerial handover briefing from the former Minister and, if so, what were the main concerns with respect to major medical research organisations that Minister Firth identified?

Mr TONY STEWART: I have had full discussions with the previous Minister. I am working in line with what was already in place, projects that had been initiated, and I am supporting industry initiatives in terms of government focus.

CHAIR: Have you met with the Minister for State and Regional Development to discuss the cuts to your budget with respect to science and medical research and have you sought any guarantee, particularly going into the mini-budget, that there will be no more cuts to science and medical research projects?

Mr TONY STEWART: I have already indicated to the Committee that we have a great challenge ahead of us to strengthen the New South Wales budget and in the lead-up to the mini-budget the Government will be looking at all major capital works programs budgets to make sure that this State has the best opportunity possible in front of it. At this stage the Government, as I have indicated, has not ruled anything out or anything in terms of how that works and the Premier has said that everything will be considered. He wants maximum flexibility in providing opportunity for the State and in terms of strengthening the New South Wales economy.

The Hon. LYNDA VOLTZ: What research is currently being undertaken in New South Wales?

Mr TONY STEWART: In terms of research currently being undertaken, as the newly appointed Minister for Science and Medical Research it was my great pleasure to have undertaken as my first official duty the presentation of awards that reflect a lot of the work that is happening at the moment. There is a lot of quality research occurring and I was delighted to discover that our New South Wales researchers are world leaders in a large number of scientific fields.

Our recently awarded New South Wales Scientist of the Year, Professor Martin Green, has had an internationally celebrated career. His career is certainly well known and it is one that is delivering for Australia, delivering for New South Wales, and is characterised by his leadership in solar energy technologies. His breakthroughs have seen his technology used in factories all over the world, contributing significantly to our international standing in science, to the State's economy, and toward establishing a major weapon in the worldwide fight against climate change.

What surprised me as a new Minister in this field is that we see people like Professor Green, who are doing great work, but they do not get the accolades community-wise that they deserve. A lot is being achieved in this industry. If Professor Green had run 100 metres fast, I suspect he would have landed on the front page of the *Daily Telegraph* and gained public accolade, but because of his invention not being as readily seen on the public radar as I would like he does not get that opportunity. My role as science Minister is to help expose what has been achieved and to do that I will be working closely with the scientific community, with the medical

research community, to demonstrate what achievement means, not only in terms of their own personal endeavours or industry endeavours, but most importantly what it means in terms of the future of scientific endeavour and, in terms of medical research, saving lives.

I was pleased to see when I attended the awards function that the category winners also obtained worldwide commendation for their research work. We are talking about research work acclaimed all over the world, ranging in scope from nanobionics to cancer research to optical photonics. One of the category winners was Professor Veena Sarhajwalla from the University of New South Wales. She has discovered a way of replacing coal used in steel manufacturing with waste plastics. It is tremendous technology, and it really is going to be about green technology as well.

Professor Gordon Wallace from the University of Wollongong has achieved significantly enhanced nerve cell growth with enormous potential for nerve cell repair in sufferers of damaged spinal cords. He is also leading the world in the development of artificial muscles. We know there are issues dealing with these types of horrific injuries on a daily basis. Here is a medical researcher who has almost reached the doorstep of opportunity in these situations in terms of repair of damaged tissue and provision of artificial muscles. There has been tremendous acclamation worldwide and I would like to see that understood in the general Australian community.

To quote distinguished members of the selection committees who judged the scientists nominated for these awards, "The work of New South Wales scientists is nothing short of awe inspiring", and I can tell you as a lay person in the audience: I was awe inspired that night to see the tremendous display of talent in this great State of New South Wales in science and medical research. It is something that we can be proud of and something that is going to save future lives, something that will provide future opportunity for the State and for the nation. Our researchers have a lot to be proud of. This State is home to more than 34 per cent of the nation's Federation fellows. That is a pretty good accolade and a great pat on the back for the State. Also to claim two of the world's top 50 universities—

CHAIR: Minister, we are almost out of time and I have a final question to put on the record. Unless you can answer this straight away I am happy to put it on notice. Can you advise whether as of today's date you have met with the Garvan Institute of Medical Research, Kolling Institute of Medical Research, Westmead Millennium Institute, Victor Chang Cardiac Research Institute, ANZAC Research Institute, Prince of Wales Medical Research Institute, Heart Research Institute, Woolcock Institute of Medical Research, Hunter Medical Research Institute, Children's Cancer Institute Australia, Children's Medical Research Australia and/or the Centenary Institute of Cancer Medicine and Cell Biology?

Mr TONY STEWART: I am in the process of meeting with a number of the research institutes. Only this week I was at the George Institute for International Health of New South Wales, which is doing tremendous work. I was recently at the Hunter Medical Research Institute and again I was overawed at the progress that is being made there in medical and scientific research. My program for visits is by no means over. I have written to every research institute and undertaken that I will come out and meet them on site. I do not want to drag people into my ministerial office. I think it is important for me to be on site and that is why arranging such meetings has taken a little more time. Getting out to the Hunter Medical Research Institute, for example, provided me with a hands-on opportunity not only to see the work that they were doing but also to talk to their staff personally and to recognise the importance of their achievements. That program will continue with all of the research institutes that were mentioned.

CHAIR: It would be appreciated if you could take that list on notice as of today. Thank you, Minister, and I thank your officers for attending this session. We appreciate your assistance.

(The witnesses withdrew)

The Committee proceed to deliberate.