



Department of State and  
Regional Development



# Annual Report **2007-2008**



Department of State and  
Regional Development

Office of the  
Director General

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Minister for Primary Industries  
Minister for Energy  
Minister for Mineral Resources  
Minister for State Development  
Level 33, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

The Hon Phillip Costa MP  
Minister for Water  
Minister for Rural Affairs  
Minister for Regional Development  
Level 34, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

The Hon Tony Stewart MP  
Minister for Small Business  
Minister for Science and Medical Research  
Minister Assisting the Minister for Health (Cancer)  
Level 32, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

The Hon Jodi McKay MP  
Minister for Tourism  
Minister for the Hunter  
Level 37, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Ministers

In accordance with the *Annual Reports (Departments) Act 1985*, it is my pleasure to submit for your information and presentation to Parliament the Annual Report of the Department of State and Regional Development for the financial year ended 30 June 2008.

Yours sincerely

**B D Buffier**  
Director General  
31 October 2008



New South Wales Government

▶ [www.business.nsw.gov.au](http://www.business.nsw.gov.au)

**NSW Offices**

Albury • Armidale • Bathurst • Broken Hill  
Buronga • Coffs Harbour • Dubbo • Goulburn  
Grafton • Lismore • Newcastle • Nowra  
Orange • Ourimbah • Parramatta  
Port Macquarie Sydney • Tamworth  
Tweed Heads • Wagga Wagga • Wollongong

## Contents

Organisation Chart	4
Director General's Year in Review	5
Corporate Framework	8
Performance Summary — Highlights of the Year	13
Financial Overview	20
Operating Environment	21
Industry	22
Investment	28
Office for Science and Medical Research	32
Policy and Resources	37
Regional Development	42
Small Business Development	47
Tourism New South Wales	52
Communications	
Innovation	
International Business Relations	
Retail Tenancy	59
Audited Financial Statements	64
Appendices	
Access	
Index	124

# Organisation Chart



Minister for Regional Development

Tony Kelly



Minister for Science and Medical Research

Verity Firth



Minister for State Development

Ian Macdonald



Minister for Small Business

Joe Tripodi



Minister for Tourism

Matt Brown

## Director General

Communications Unit

Innovation Unit  
(from November 2007)

Executive Support Unit

Retail Tenancy Unit

International Business Relations Unit

Major Event Unit  
(to August 2007)



Director General's  
Year in Review

## Director General's Year in Review

I am pleased to present the 2007–08 Department of State and Regional Development Annual Report, my first since appointment as Director General in January 2008.

The Department is at the forefront of the Government's economic and business development agenda. Central to our role is the Chief Executive Officers' Economic and Business Cluster, which I chair on behalf of the State. This Cluster ensures coordination across key economic agencies, in achieving our State Plan goals under P1 – Increased Business Investment and P6 – Increased Business Investment in rural and regional New South Wales.

We have performed strongly against our State Plan targets. Our key measures indicate:

- › in 2007–08, private business invested \$45.1 billion in New South Wales (constant price terms). The five year compound annual average growth of private business investment to 2007–08 was 10.1 per cent, which was above the trajectory rate in the State Plan (7.2 per cent per annum)
- › there were 139.1 million tourist visitor nights in 2007–08, comprising 56.9 million international tourism visitor nights and 82.2 million domestic tourism visitor nights. NSW is currently above the trend line required to reach our State Plan target of 145.1 million by 2016
- › in 2007–08 regional average employment grew by 2.8 per cent, with a total of 1.323 million people employed in regional NSW. Employment growth in regional NSW in 2007–08 was above the State Plan annual average target of 1.5 per cent
- › regional NSW accounted for 33 per cent of all regional tourist visitor nights in Australia. This meets the State Plan target of keeping NSW's share above 30 per cent.

The diversity of the Department's responsibilities, ranging from tourism, business development, retail leases, science and medical research, demonstrates the range of our activities, and is reflected by the breadth of our achievements over the past year.

This year saw some changes in the Department with the Major Events Unit being established as a separate entity following the O'Neill review into major events.

### Significant Achievements

The Department has been involved in many important achievements over the past year. In September, we played a pivotal role in Sydney's hosting of the Asia Pacific Economic Cooperation (APEC) meeting. World leaders spent a week in Sydney, which generated global media coverage and again demonstrated our capacity to host major events.

The Tourism NSW APEC Bonus Long Weekend Getaway Campaign, developed to extend the economic benefits of this major event to regional New South Wales, won a 2008 Pacific Asia Travel Association Gold Award.

We also delivered an enhanced international business program for the State. In addition to a comprehensive range of trade and business missions, we were privileged to have the Premier, Morris Iemma and the Minister for State Development, Ian Macdonald MLC, lead high level missions to India and China during the year. These missions produced good outcomes, both in terms of marketing New South Wales and in generating business and investment for the State.

This year major Indian companies Wipro, Polaris, and Rolta and Chinese companies, People's Bank of China, Shenzhen Economic and Trade, and Huawei Technologies have chosen to set up operations in Sydney as a result of the Department's efforts.

The year has also seen the establishment of a new Innovation Council and Innovation Unit following recommendations from the West Report. As a result, there is major work underway in the key priority areas of financial services, creative industries, logistics, and low carbon innovation.

In another important win for the State, the Premier and Sir Richard Branson announced that V Australia, Virgin's new international airline, will be establishing its headquarters in Sydney, creating 1,000 new jobs.

There have been significant achievements across all our portfolio areas.

Defence industries have been a priority, with the Minister for Regional Development, Tony Kelly, establishing a Defence Industries Roundtable to attract and develop opportunities in regional New South Wales in defence related work. The Department supported the Pacific 2008 defence trade show at Darling Harbour, which attracted close to 10,000 participants, including more than 100 international delegates.

The Department has taken the lead role in developing 12 Regional Business Growth Plans, as part of our responsibility for State Plan Priority P6. The Plans provide whole-of-government strategies to overcome constraints to attracting investment in regional areas and identify opportunities for business growth.

The Minister for Science and Medical Research, Verity Firth, led the State delegation to Bio 2008, one of the world's major biotechnology events held in the US each year. Twelve NSW companies exhibited in the Australian pavilion, reporting good commercial outcomes resulting directly from participation at the conference, and further enhancing New South Wales' reputation as a biotechnology hub in the Asia Pacific.

Through the Australian International Sporting Events Secretariat, we worked closely with NSW companies in preparation for the Olympic Games in Beijing, including PTW Architects, who designed the Watercube and (with ARUP) developed the athlete's village, and Great Big Events, who delivered all sport presentations. We have successfully targeted other events such as the Doha Asian Games, the Commonwealth Games and of course the 2012 London Olympics.

*G'Day USA*, held in January, was again a highlight in promoting the State internationally. Our participation was led by Matt Brown, the Minister for Tourism, and generated substantial media interest throughout the United States.

The Department also operates the Retail Tenancy Unit and administers the *Retail Leases Act 1994*. This year the Unit conducted 263 formal mediations, resulting in sizeable savings for small business in the retail industry. The Minister for Small Business, Joe Tripodi, initiated a review of the Act to ensure that it continues to best meet the needs of all participants in the industry.

## Challenges and Opportunities

The Department of Premier and Cabinet is undertaking a review to examine and make recommendations on the strategic direction, structure and operations of the Department as the NSW Government's key industry and development agency. We are also developing the Government's response to the O'Neill Review into Tourism in New South Wales, to ensure we meet the challenges of the future.

The Department has been actively engaged with industry on climate change and the impact on business investment in New South Wales. We have worked with industry on the impacts of an emissions trading scheme on NSW-based emissions intensive trade exposed firms.

In the coming year the world financial crisis and climate change will greatly influence the work of the Department. The Department will work on building capacity in industry and on programs for the business sector to assist them to understand these issues from their individual firm perspective so that they can develop and adopt appropriate responses.

In regional New South Wales, whilst some areas have seen an easing of the drought conditions there are still many areas and regional businesses affected, which will take some time to recover.

## Acknowledgements

In particular, I would like to thank all staff for both their contribution this year and the support I have received since becoming Director General.

I would also like to acknowledge the contribution of my predecessor, Mr Loftus Harris AM, who served as Director General of the Department for more than ten years.

There is no doubt next year will be exciting, challenging and rewarding for the Department. With the finalisation of the Department's review, I look forward to implementing its recommendations and positioning us for the future.



**B D Buffier**  
Director General

# Corporate Framework

Who we are and what we aim to achieve

# About the Department

## Who we are

The Department of State and Regional Development was established in 1995 as the NSW Government's key industry development agency. The Department is responsible to the Minister for State Development, the Minister for Regional Development, the Minister for Tourism, and the Minister for Small Business and Science and Medical Research.

The Department provides advice to the NSW Government on developing the economic capacity and productivity of metropolitan and regional areas and delivers programs and services to secure innovative and sustainable business and industry development for New South Wales. With staff of approximately 413 located in the Department's three Sydney offices and a network of regional and international offices, the Department's goal is to ensure that New South Wales is a competitive place to do business and that Sydney extends its role as a global city.

The Department adopts a whole-of-government approach to its role under the *State Plan* and the *Innovation Statement* and actively collaborates in its work with the business sector and the community. The Department works with the advice of the Innovation Council to support the private sector in strengthening the innovative capability of the economy and those industries with greatest potential to contribute to sustainable growth.

## Our mission

The Department's mission is to secure innovative and sustainable business and industry development for the State. It does this by pursuing activities under five results areas, which are:

- › facilitate business investment
- › increase business competitiveness
- › develop an attractive business environment
- › market the strengths of Sydney and New South Wales
- › support science, research and innovation.

## Our values

The Department gives effect to its mission and goals through the actions of its staff, who uphold corporate values of:

- › integrity through honesty, consistency and fairness
- › equity and social justice
- › respect for the diversity of the State's multicultural base
- › achievement through diligence, industry, creative thought, consultation and teamwork
- › accountability, efficiency and effective professional service provision.

These values are emphasised in the Department's *Code of Conduct* which was updated in 2006, and which sets out standards and guidelines for staff to follow in relation to ethical decision-making, protecting confidential information and dealing professionally and fairly with clients, partners and stakeholders. The code was not amended in the reporting period.

## Stakeholders and clients

The Department's clients span domestic and international companies of all sizes, industry peak bodies, professional associations, business advisers, tertiary education and research institutes, and government departments and authorities. The Department adopts a partnership approach, working with business and other related agencies to strengthen NSW competitiveness internationally through increased investment, productivity and business capability.

# NSW State Plan and Innovation Statement

## NSW State Plan

The *NSW State Plan*, which was released in November 2006, commits the NSW Government to support economic growth in the State. The Department's activities are informed by the priorities set for the area of 'Growing prosperity across New South Wales'.

The Department has lead responsibility for the delivery of two of the 34 *NSW State Plan* priorities:

- › Priority P1 – Increased Business Investment
- › Priority P6 – Increased Business Investment in Rural and Regional New South Wales.

Priority Delivery Plans, including targets and measures, were developed by the Department and agreed by the Cabinet Standing Committee on State Plan Performance.

### Priority P1

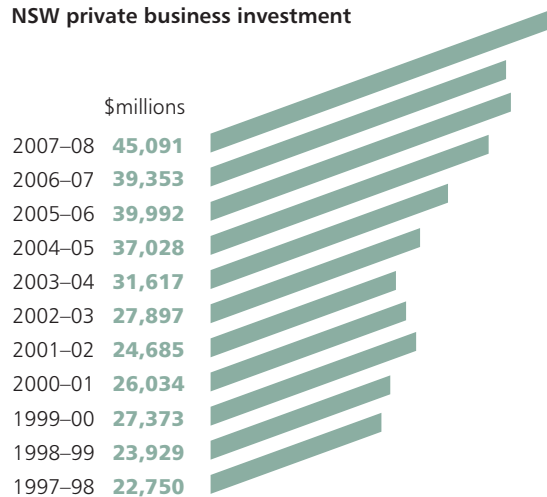
#### Targets:

- › Double the level of private business investment from \$40 billion in 2005–06 to \$80 billion in 2015–16
- › Increase tourist visitation to New South Wales by 10 million visitor nights by 2016.

#### Strategy:

A series of key projects targeting the NSW innovation sectors was developed to underpin the P1 Priority Delivery Plan. Further details are provided in the reports by the Divisions commencing page 22 of this report.

### NSW private business investment

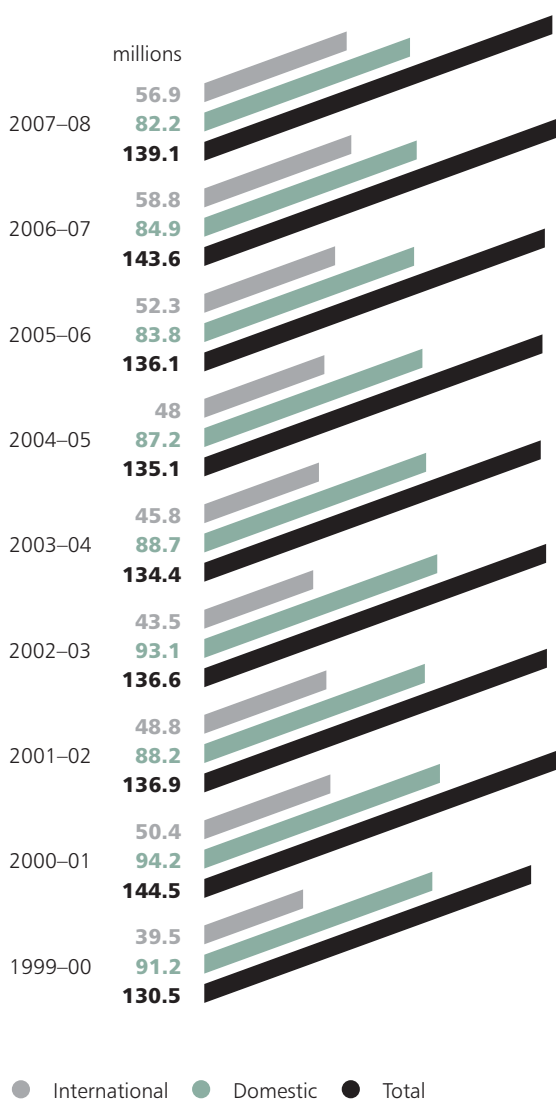


### Performance achieved:

- › In 2007–08 private business investment in real terms was \$45.091 billion in New South Wales. The five-year compound annual average growth of private business investment was 10.1 per cent, which was above the trajectory rate of 7.2 per cent required to reach the target of \$80 billion in 2015–16 (see graph below)

- › There were 139.1 million tourist visitor nights in 2007–08, comprising 56.9 million international tourism visitor nights and 82.2 million domestic visitor nights. Most of the recent growth experienced in tourism in New South Wales has been driven from international source markets.

### NSW visitor nights



### Priority P6

#### Targets:

Development of targets to capture progress in regional business and investment growth has been actively pursued throughout the year. A basket of measures is used to assess progress:

- › regional employment and unemployment rates
- › regional tourism visitor nights
- › value of non-residential building approvals
- › share of private capital expenditure in regional New South Wales
- › business counts in regional New South Wales.

#### Strategy:

Regional Business Growth Plans were developed for the Department's 12 regions. The plans provide a blueprint for collaboration between Regional Development Boards, agencies and with local governments, and other business stakeholders to achieve sustainable economic growth, local employment and skills training in regional New South Wales.

#### Performance achieved:

- › Average employment in regional New South Wales grew by 2.8 per cent in 2007–08. Employment growth in regional New South Wales was above the *State Plan* target of 1.5 per cent
- › The regional unemployment rate was 5.4 per cent, which was within the *State Plan* target range of no more than 1.5 per cent higher than the rest of New South Wales (4.6 per cent)
- › Regional New South Wales' share of total Australian regional tourist visitor nights was 33 per cent for 2007–08
- › Non-residential building approvals in regional New South Wales were valued at \$2.186 billion (real terms) in 2007–08.

### Innovation Statement

A cornerstone of the *State Plan* Priority P1 is the *Innovation Statement*.

The *Innovation Statement* targets five innovation policy goals:

- › improving human capital
- › upgrading knowledge and information infrastructure
- › reducing the cost to business of utilising science and technology
- › encouraging capital allocation to invest in innovation
- › reducing regulatory barriers to innovative NSW companies.

#### NSW Innovation Council

In line with the announcement made in the *Innovation Statement*, a new Innovation Council was established in September 2007 under the *NSW Innovation Council Act 1996*. The general function of the council is to lead the implementation of the NSW Government's approach to innovation in industry, as outlined in the *Innovation Statement*.

In practice, the council advises the NSW Government on policies and strategies which create an environment where it is easier for businesses to innovate, improve the innovative capacity of the NSW private sector, help increase investment and build stronger rural and regional economies. The first stage of the council's work is to consider analyses of the opportunities for the NSW Government to improve innovation in the five key sectors identified in the *Innovation Statement*.

It is comprised of high-level representatives from private sector organisations, NSW government agencies and research organisations.

Current members are:

- › Steven Harker (Chair) — Managing Director and CEO Morgan Stanley Australia
- › Barry Buffier — Director General, NSW Department of State and Regional Development
- › Michael Coutts-Trotter — Director General, NSW Department of Education and Training and Managing Director, TAFE NSW
- › Robyn Kruk — Director General, NSW Department of Premier and Cabinet
- › Catherine Livingstone AO — Director, Macquarie Group Limited
- › Philip Mussared — Deputy Secretary, Operations, NSW Treasury
- › Mark O'Neill — former Executive Director, Australian Coal Association
- › Dr David Skellern — CEO, National ICT Australia
- › Greg Smith — Director, Public Affairs, Animal Logic
- › Dr Jonathan West — Director, Australian Innovation Research Centre.

The council has considered a number of significant issues since its establishment. Examples of work driven by the council and undertaken by the Department, in conjunction with other government agencies and industry, include the development of policies to improve high-level skills in parts of the creative industry; support for the productivity and efficiency of the logistics industry; actions to encourage innovation in a low carbon economy and a study to enhance Sydney's position as a financial services centre.

# Corporate Governance

The Department's corporate governance framework provides clear direction and transparency for decision-making across the organisation and supports its capacity to achieve its key results. In undertaking its activities, the Department works within the NSW Government's framework of reporting and accountability. This includes the NSW Government's major initiatives in areas such as information technology, state records, corruption prevention, privacy and financial and client services. The governance framework is supported by the operations of the Senior Management Team and the Audit and Review Committee.

Specific documents include the:

- › *State Plan* and Priority Delivery Plans
- › Strategic Management Framework
- › *Strategic Plan 2006–09*
- › *Results and Services Plan*
- › Operational plans at the divisional level.

The Department's activities and operations are regularly reviewed through a variety of internal and external processes including:

- › external financial audit
- › internal and external performance audit
- › audit and review committee
- › internal managerial evaluation, including risk management
- › the Public Accounts Committee and the Treasury
- › Ministerial oversight by five Ministers
- › Parliamentary oversight through a variety of committees such as the Parliamentary Budget Estimates Committee.

## Legislation

The Acts administered by the Department are:

- › *Albury–Wodonga Development Repeal Act 2000 No 18*
- › *Biofuel (Ethanol Content) Act 2007 No 23*
- › *Centenary Institute of Cancer Medicine and Cell Biology Act 1985 No 192*
- › *Garvan Institute of Medical Research Act 1984 (NSW) No 106*
- › *Human Cloning and Other Prohibited Practices Act 2003 No 16*
- › *Innovation Council Act 1996 No 77*
- › *New South Wales Investment Corporation (Sale) Act 1988 No 50*
- › *Regional Development Act 2004 No 58*
- › *Research Involving Human Embryos (NSW) Act 2003 No 21*
- › *Retail Leases Act 1994 No 46*
- › *Small Business Development Corporation Act 1984 No 119*
- › *State Development and Industries Assistance Act 1966 No 10*
- › *Tourism New South Wales Act 1984 No 46*
- › *Very Fast Train (Route Investigation) Act 1989 No 44.*

## Executive team

### Director General

Barry Buffier *BRurSc (Hons), MEc, FAICD* (From 2 January 2008)

Michael Cullen *BEC* (12 October–31 December 2007)

Loftus Harris *AO BA, FAICD* (To 12 October 2007)

### Communications Unit

Leanne Joyce *Grad Cert Pub Pol* Director

### Executive Support Unit

Gary Offner *Dip Law (BAB), MBA* Director

### Industry Division

Michael O'Sullivan *BEC* Executive Director

### Innovation Unit

Todd Clewett *BA, MPA (Harvard), MURP* (From 15 November 2007) Director

### International Business Relations Unit

David Morris *BA (Hons), MBA* Director

### Investment Division

Warwick Glenn *BSc (Eng)* Executive Director

### Office for Science and Medical Research

Kerry Doyle *PSM, BA (Hons)* Executive Director

### Policy and Resource Division

Janine Ricketts *BA (Hons), Grad Dip Lib Sci* Executive Director

### Regional Development Division

Michael Cullen *BCom (Ec)* Executive Director

### Retail Tenancy Unit

Ken Carlsund *Dip Law (SAB), MBA* Registrar

### Small Business Development Division

Julie Scott *BBus* Executive Director

### Tourism NSW

John O'Neill *BA (Hons)* (To 11 June 2008) Executive Director and General Manager

Lyndel Gray *GAICD* A / Executive Director and General Manager (From 11 June 2008)

Performance Summary —  
Highlights of the Year

# State Plan (2006–2016)

## Growing Prosperity Across NSW

### NSW Open for Business

#### Priority P1 – Increased Business Investment

Increase business investment through making NSW a more attractive place to do business  
 Increase visitor nights to NSW by 10 million by 2016

#### Stronger Rural and Regional Economies

**Priority P6 – Increased Business Investment in Rural and Regional NSW**  
 Achieve regional business growth targets

### Results

#### Facilitate business investment:

Increased investment into NSW to meet *State Plan P1* target

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Improved regional investment coordination by Government to meet *State Plan P6* target

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Regulatory constraints and delays to major investment projects addressed

Internationalisation of the State's competitive industries

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Regional communities identify and promote business opportunities

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Infrastructure impediments to investment in regional areas addressed

---

Opportunities identified for inbound international investment from key markets

---

NSW competitive strengths identified and marketed to investors and consumers

#### Increase business competitiveness:

NSW firms adopt best practice business processes

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NSW firms win supply chain business with large private and public sector contracts and projects

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Firms with world class capabilities win more international business

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New businesses start and business numbers and employment grow strongly

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Environmental sustainability promoted as a growth strategy for business

---

NSW businesses secure more Commonwealth business assistance funding

---

Exporters enter new markets and more firms start to export goods and services

#### Develop an attractive business environment:

Business confidence measures improve in NSW, in comparison with other States

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Effective mechanisms managed for communication between business and Government

---

Costs and benefits to business of new regulation, legislation and policy made known to Government

---

NSW demonstrates world-class communications infrastructure

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Effective alternative dispute resolution service delivered for retail leasing sector

---

Skills needs and labour market gaps assessed, firm and industry level initiatives developed

---

Systemic regulatory impediments to business investment and growth identified

#### Market the strengths of Sydney and NSW:

Tourism visitation grows to meet *State Plan P1* target

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Sydney ranks highly as a destination amongst target groups in international surveys

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Investors and business owners view NSW more favourably than other States and countries

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Maintain Sydney market share of visitor nights

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Regional market share of visitor nights maintained

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NSW technologies and skills promoted in international markets

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International relationships managed to source new business for NSW

#### Support science, research and innovation:

Greater adoption of innovation as a key growth strategy for business

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Opportunities taken to promote growth in high potential sectors by Government action

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Supported research and commercialisation programs result in marketing new products and services

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Impediments to innovation in high potential sectors identified and addressed

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NSW wins greater share of Commonwealth medical and science research funds

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Government policy and regulation support research and development outcomes

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More students choose science and technology career pathways

## Performance Summary — Highlights of the Year

Planned result	Facilitate business investment
<b>Service measures</b>	Secured investment of \$311 million in the Sydney metropolitan area, which will lead to employment of 2,900 people.
	Secured 297 investment projects in regional New South Wales, representing a capital investment of \$791.52 million and the creation and retention of 5,281 jobs.
	Secured the operational base for V Australia in Sydney, which will involve \$44 million of investment and 1,000 jobs. The project is expected to bring 500,000 additional bed nights and \$76 million per year in visitor spending to New South Wales.
	Won three significant film production projects, with total investment of \$150 million and 575 full-time equivalent jobs for New South Wales.
	Attracted seven projects from China and three from India, confirming New South Wales as a key investment location for these fast internationalising countries.
	Secured seven financial services projects as part of the Department's strategy of promoting Sydney as a financial services hub.
	Sponsored 452 potential business migrants, an increase of three per cent over last year. These business migrants are expected to invest \$57 million and create 1,000 jobs.
	Attracted seven manufacturing projects, which will result in investment of \$225 million and the creation of 469 jobs.
	Won five projects involving establishment of Asia Pacific regional headquarters and regional operations centres in Sydney as the base for operations outside Australia.
	Provided funding support for 10 <i>BioBusiness Proof of Concept</i> projects.
	Worked with the Sydney Convention and Visitors Bureau to win 37 international business events delivering an estimated \$145 million in expenditure benefits for Sydney over the next six years.
	Coordinated the development of 12 Regional Business Growth Plans, which provide a blueprint for collaboration between NSW government agencies, local governments, Regional Development Boards and other business stakeholders to achieve sustainable economic growth, local employment and skills training.

Planned result	Increase business competitiveness
<b>Service measures</b>	<p>Commissioned <i>Bridging the Barriers: a Study of Innovation in the NSW Manufacturing Sector</i>, which identified policy measures to encourage innovation in the manufacturing sector in New South Wales. The report recommended attracting 'greenfield' manufacturing investments as part of the NSW Government's inward investment strategy; a greater recognition of the TAFE and VET sector in innovation policy and decision-making and improved measurement and monitoring of manufacturing industry performance.</p>
	<p>Provided funding support to enable the <i>NSW Industry Capability Network</i> to secure \$204 million in new business for 100 NSW companies.</p>
	<p>Generated some \$250 million in potential commercial outcomes through supporting more than 150 NSW companies to participate in industry trade missions to major overseas trade conferences / exhibitions.</p>
	<p>Through the <i>Australian Technology Showcase</i>, promoted commercialisation of 100 innovative technologies and new export / domestic sales valued at more than \$49 million.</p>
	<p>Assisted more than 60 NSW companies to win business contracts relating to the Beijing 2008 Olympics.</p>
	<p>Conducted two regional food and wine showcases featuring the Northern Rivers and New England–North West regions at Parliament House, each introducing some 30 regional suppliers to more than 200 trade and media attendees.</p>
	<p>Organised <i>Small Business September 2007</i> to provide practical information, guidance and tools for small business owners, designed to improve their operations and access to new markets. The Department and over 115 partner organisations and sponsors hosted 358 events attended by more than 52,000 people across the State. The attendee satisfaction rating registered in excess of 95 per cent.</p>
	<p>Offered five specialised trade missions where building and construction went to India, environmental services and products to China, fashion and design to Japan, healthcare goods and services to the United Arab Emirates and financial services to the United States.</p>
	<p>Through the <i>Women in Manufacturing Network</i> cluster, facilitated completion by nine major manufacturing companies from across New South Wales of the <i>Advanced Stepping-Up Program</i> specialising in supply chain management and logistics.</p>
	<p>Worked actively with the private sector to facilitate and secure sub-contracting work valued at around \$6 million for Aboriginal businesses in the mining services, construction, land remediation and aquaculture industries.</p>
	<p>Conducted four specialised mining and construction business skills workshops to assist Aboriginal businesses harness the opportunities presented by growth of the mining sector. In addition, 19 basic business skills workshops were delivered to around 322 Aboriginal business participants. The workshops focused on the industry sectors identified in the <i>Innovation Statement</i>.</p>

Planned result	Develop an attractive business environment
<b>Service measures</b>	Developed and produced the <i>Information Kit for Retail Tenants</i> which helps lessees better understand their lease obligations. The kit is available as a CD-ROM and deals with all the steps from negotiating lease conditions through to the end of the lease.
	Established the <i>Embedded Systems Australia</i> business cluster, which will help up to 400 NSW companies to pursue collaborative commercial projects in the globally expanding embedded systems market.
	Launched a program of regional defence roundtables to help businesses throughout the State access defence-related opportunities.
	Continued to invest in research platforms to accelerate the state-wide research and innovation effort, with a major focus on increasing New South Wales' participation in international clinical trials and the establishment of major research networks.
	Held the <i>Community Economic Development Conference</i> in Moama in May 2008 with record attendance of 269 people.
	Assisted Regional Development Boards with 40 projects to facilitate and foster economic development opportunities in regional New South Wales.
	Conducted 48 workshops for regional communities attended by nearly 1,700 people with topics covering business and town marketing, strategic planning and tourism development.
	Promoted the NSW Government's regulatory reform agenda through working closely with the Better Regulation Office, briefing the Government Business Education Network to facilitate a whole-of-government approach to regulatory reform.
	Made 41 recommendations under the <i>Small Business Regulation Review</i> program which were endorsed by the NSW Government. Implementation of the recommendations will include the number of forms that motor dealers are required to complete being reduced, food inspection processes being improved and the processes for obtaining a Place of Public Entertainment Licence and government procurement being streamlined.
	Held <i>Home-Based Business Week</i> from 19 to 23 May 2008. The week consisted of 37 (10 metropolitan and 27 regional) events throughout the State with over 1,600 participants attending.
	Through the Small Business Development Corporation, actively participated in a number of government initiatives including the development of new retail tenancy policy in New South Wales and the Australian Securities and Investments Commission's research into small business banking, liquor licensing, skills shortages, franchising, trade practices and employment practices.

Planned result	Market the strengths of Sydney and New South Wales
<b>Service measures</b>	<p>Organised a 100-strong NSW delegation to the world's biggest biotechnology conference, <i>BIO 2008</i>, in San Diego from 17–19 June, which provided an opportunity for the NSW life science industry to generate international business and for the NSW Government to sell the State's strengths as the foremost Asia Pacific business, investment and research location. Around \$23 million in commercial outcomes were reported by NSW participants, including Seagull Technology, Fermiscan, Special Phage Holdings and TeleMedcare.</p>
	<p>Achieved increased marketing of NSW tourism product through a number of strategic alliances which delivered a total media value of \$20 million. An alliance with News Limited and the Seven Group delivered \$13.4 million in media value in a campaign which reached more than 14 million Australians through News Limited's publications and 9.6 million through Channel Seven's television network.</p>
	<p>Secured \$6.5 million in cooperative investment from more than 100 partners for 40 advertising campaigns conducted for Sydney and regional New South Wales. An example is the APEC Bonus Long Weekend Getaway Campaign (7–9 September 2007), which encouraged Sydneysiders to spend up to \$15 million in regional New South Wales. In July 2008 this campaign won a Pacific Asia Travel Association (PATA) Gold Award in the Secondary Government Destination Marketing category.</p>
	<p>Organised 12 <i>NSW Missions to Market</i>, which enabled more than 75 industry participants to establish business relationships with major travel distribution partners in their key and / or up-coming international market.</p>
	<p>Attended more than 40 international trade and consumer shows to expand the distribution of NSW tourism products in key overseas markets.</p>
	<p>Coordinated the <i>Building Regional Towns Tour</i> to Broken Hill and Muswellbrook in April 2008, which ignited investor interest in the opportunities created by economic growth in locations normally thought of as remote. The purpose of the tour was to showcase opportunities to invest in residential and commercial property to metropolitan based investors and property developers. Eighteen investors and developers participated.</p>
	<p>Coordinated the NSW Premier-led missions to China in November and May and to India in November. The missions were designed to promote Sydney's strengths in trade, investment, education, tourism and major events in these key international markets. The Department devised and produced a range of collateral as part of its branding program and managed an extensive public relations program, including targeted news releases, resulting in solid media coverage.</p>
	<p>Announced the appointment of high-profile individuals with extensive networks to promote New South Wales in key international markets as honorary 'Sydney Ambassadors'. To date 14 ambassadors have been appointed for China, India and the United States.</p>
	<p>Developed a prototype for an accessibility website (<a href="http://www.sydneyforall.com">www.sydneyforall.com</a>) aimed at making it easier to find accessible destination experiences around Sydney for those with access needs. The prototype was designed to meet international W3C Web Accessibility Standards and will be user tested in the first half of 2008–09.</p>

Planned result	Support science, research and innovation
<b>Service measures</b>	<p>Through recommendations driven by the Innovation Council, developed policies to improve high-level skills in parts of the creative industry; provided support for the productivity and efficiency of the logistics industry; recommended actions to encourage innovation in a low carbon economy and commenced a study to enhance Sydney's position as a financial services centre.</p>
	<p>Developed the NSW submission to the Australian Government's National Innovation Systems Review, which included an argument supporting an expanded view of innovation, which advocates a stronger focus on improving productivity in industries that are most likely to produce benefits for the broader economy.</p>
	<p>Completed a report into the NSW logistics sector, <i>Path to Innovation: Innovation in the NSW Freight Logistics Industry</i>, which recommended the development of a freight operators' toolkit, modelling of supply chains to determine major costs and regulatory barriers to innovation and a review of regulations.</p>
	<p>Completed an analysis of the economic fundamentals of the NSW creative industries sector and recommended strategies to improve high-level skills in parts of the creative industry.</p>
	<p>Commenced a study into the financial services sector which will identify initiatives to enhance Sydney's position as a financial services centre.</p>
	<p>Committed over \$9 million in new funding from the <i>Science Leveraging Fund (SLF)</i> for programs which attracted contributions of over \$81 million from the Australian Government, \$55 million from partners and \$92 million in-kind support.</p>
	<p>Through the SLF, provided funding for research infrastructure for:</p> <ul style="list-style-type: none"> <li>› a new medical imaging facility at the University of Western Sydney and another facility operated collaboratively by the Prince of Wales Medical Research Institute and the University of NSW</li> <li>› the Institute for Transdisciplinary eResearch Services and Technology (INTERSECT), a new peak eResearch body servicing the research and innovation sector in New South Wales</li> <li>› the new Defence Materials Technology Centre to support materials and manufacturing research and development activities in the defence sphere</li> <li>› nine ARC Centres of Excellence in the areas of quantum computing, photovoltaics, biotechnology, autonomous systems, advanced materials, communications, agriculture and complex systems.</li> </ul>
	<p>Renewed the NSW Government funding commitment to National ICT Australia for a further five years to 2012, which will leverage \$219 million in Australian Government funding and industry investments into leading-edge research work in New South Wales.</p>
	<p>Established a joint \$1 million NSW / Victorian <i>Stem Cells Grant Scheme</i> to expand capacity in stem cell research. In 2007–08 a \$250,000 grant was awarded to Sydney IVF to undertake stem cell research, including the use of somatic cell nuclear transfer.</p>
	<p>Launched the <i>NSW Scientist of the Year Awards</i> in March 2008, which offer \$85,000 in prize money for research that has generated economic, health, environmental or technological benefits for New South Wales.</p>
	<p>Supported the technology-based Home TeleMedcare Study targeted at patients with chronic lung disease in Western Sydney. The study is expected to both improve patient outcomes and reduce public healthcare costs and to have significant export potential.</p>

## Financial Overview

The financial information disclosed in this overview represents an aggregation of the operating statements and balance sheets for the Department and the two statutory authorities that it administers and supports, the Ministerial Corporation for Industry and the Small Business Development Corporation of NSW.

### Source of funds

The Department of State and Regional Development is a general budget sector agency, with its main source of funds being government contributions. In 2007–08 total government recurrent and capital contributions to the Department, Ministerial Corporation for Industry and Small Business Development Corporation of NSW amounted to \$162.7 million. In addition to the government contributions, the Department raised revenue from other

sources, including the sale of goods and services, investment income, grants and contributions from other state and Australian government bodies and industry partners. Total revenue from all sources for the 2007–08 financial year amounted to \$13 million, of which grants and contributions totalled \$7.8 million.

### Application of funds

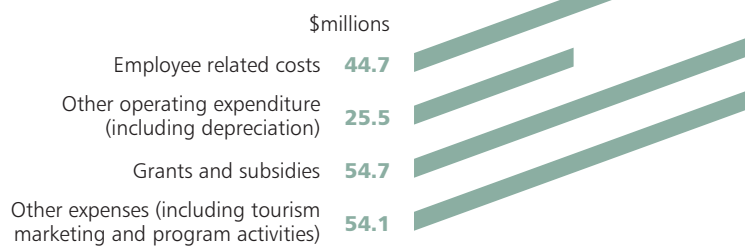
Total operating expenditure for the year ended 30 June 2008 was \$179 million. This comprised employee-related costs amounting to \$44.7 million, other operating expenditure of \$23.8 million and grants and subsidies totalling \$54.7 million, including \$27.5 million in science and medical research grants. Other Expenses Program expenditure amounted to \$54.1 million and included \$26.3 million toward tourism marketing and program activities.

### Assets and liabilities

The Department's total net asset balance as at 30 June 2008 was \$29.8 million and comprised total assets amounting to \$44.7 million and total liabilities of \$14.9 million. The total net asset balance at 30 June 2008 represents a decrease of \$2.9 million compared to the previous financial year. The decrease was primarily due to increase in cash and cash equivalents of \$0.9 million, offset by a decrease in non-current assets of \$1.3 million and an increase in current liabilities of \$2.9 million.

Full details appear in the notes to the Financial Statements on page 64.

#### 2007–08 expenditure



## Operating Environment

New South Wales is the largest state economy in Australia — valued at \$335 billion in 2006–07 and accounts for 32 per cent of Australia's GDP. Recent data shows that the state domestic final demand growth has accelerated to 4.3 per cent in 2007–08 compared to growth of 2.2 per cent in 2006–07. Gross State Product is expected to grow by 2.5 per cent in 2007–08, above the growth of 1.8 per cent recorded in the previous year. In 2008–09 economic growth in the State is expected to slow to 2 per cent in the face of a weaker world economy, tighter global credit conditions and domestic monetary policy.

Business investment grew strongly by 14.6 per cent to \$44.2 billion in 2007–08 following a fall of 1.6 per cent in the previous year. NSW business investment in 2007–08 was the highest on record, and New South Wales remains the largest state for overall private business investment.

Access Economics anticipates modest growth in 2008–09 for New South Wales, supported by solid private and public investment, improving population growth and less extensive drought conditions than in the previous two years, which should help farmers take advantage of higher prices for agricultural produce. The State has been hampered by high interest rates, with signs of a recovery in dwelling approvals ending in the beginning of 2008. Restrictive monetary policy has also dampened activity in the finance and insurance industry and property and business services, which make up a quarter of the State's economy.

New South Wales' export values have been traditionally linked to coal and agricultural commodities, but service exports now account for about 40 per cent of the State's export income. Resources and primary products exports still dominate the value of the State's exports and this will continue in 2008–09. Pharmaceutical products, optical and medical instruments and electrical machinery also feature in the State's top 10 merchandise exports and attest to the State's strengths in advanced manufacturing. New South Wales' longer-term export success also depends on knowledge-intensive companies finding niche markets in our region, a goal central to the Department's range of services for established and prospective exporters.

Over 2007–08 the NSW unemployment rate averaged just 4.6 per cent, the lowest rate for 30 years. In June 2008 the percentage of full-time employees was above the national average, with a participation rate which is at near record highs.

Business surveys report that sourcing skilled employees is one of the most pressing concerns to the State's businesses, both small and large. The Department has been charged with attracting high-end skills to Sydney from interstate and overseas, with a particular focus on the five innovation sectors identified in the *Innovation Statement*. The Department is also identifying and developing skills gap solutions for these sectors, especially in regional areas, where shortages are felt acutely because of the smaller size of local labour markets. There continues to be considerable competition from other states and territories for key employment skills.

Continuing drought conditions continue to present economic development challenges in many parts of regional New South Wales. Many regional communities are dependent on drought-vulnerable businesses, such as meat and food processing. Restructuring of global industries, including the automotive components and textiles, clothing and footwear sectors, is also impacting regional employment and industry development. Availability and the cost of water are emerging major issues across New South Wales.

# Industry

Drives innovation and industry development  
in growth sectors of the NSW economy



# Industry

## Nature and Scope of Activities

The Department, through the Industry Division, works with businesses, industry and research bodies and government agencies to identify industry development opportunities in New South Wales; develop, commercialise and promote new technologies; adopt innovative business practices that will enhance the international competitiveness of New South Wales and address impediments to the growth of key industry sectors.

## Services Framework

### Australian Technology Showcase (ATS)

Selects, promotes and supports commercialisation, internationalisation and growth of innovative NSW technologies, particularly in the priority sectors identified in the NSW Government's *Innovation Statement*.

### Information and communications technology (ICT)

Supports the growth of NSW ICT companies through programs such as the *Western Sydney IT Cluster*; manages the NSW Government's relationship with National ICT Australia (NICTA) and supports and promotes linkages between NSW based ICT research institutions and industry.

### Logistics and transaction services

Supports the NSW Sea and Air Freight councils and works with key organisations in the freight and logistics sector to enhance the State's international trade competitiveness through supply chain innovations.

### BioBusiness

Supports the commercialisation of innovative technologies and the growth, development and export growth of innovative businesses in the life sciences (pharmaceutical, biotechnology and medical device) sector.

### Food and agribusiness

Supports the growth, development and internationalisation of the State's food and beverage processing industries and the textile, clothing and footwear and timber processing sectors.

### Advanced manufacturing

Supports the growth and internationalisation of other manufacturing industries that offer significant potential for innovation-driven growth, including the aerospace, defence, and environmental sectors; supports the operations of key Australian Research Council Centres of Excellence in New South Wales and facilitates access of NSW companies to major supply chains and projects through the *Industry Capability Network*.

### Creative industries

Promotes New South Wales' strengths in and supports the growth and internationalisation of NSW companies in the film, television and visual effects production industries.

### Sports infrastructure, services, business events

Promotes New South Wales' expertise in delivering major international sporting and business events, including the Olympic, Asian and Commonwealth Games; supports attraction to New South Wales of selected international conferences and events at bid and at delivery stages, in conjunction with Events NSW; and develops business leveraging programs associated with major events staged in New South Wales.

## Strategic Operating Environment

The Division aims to maximise industry growth in key sectors in an increasingly competitive and changing business environment, both domestically and internationally. Major issues include:

- › the need for smaller NSW companies to attract capital, typically through investment, licensing and strategic alliances with large foreign-based multinational companies, to support their international growth plans
- › the growing importance of global supply chains as a basis for competing in international markets
- › the increasing convergence of technology in research and product development
- › national and international competition for research funds and the need for co-investment on major projects
- › intensifying international competition, particularly from low wage countries and regions such as China, South-East Asia and South America.

## Major Achievements

### Facilitate business investment

The NSW Government granted funding to NICTA, Australia's ICT Research Centre of Excellence, for a further five years to 2012. This support is expected to leverage \$219 million in Australian government and industry funding into leading-edge ICT research work in New South Wales.

NICTA spin-out companies Audinate and Open Kernel Labs attracted equity and Australian government investments of \$8.65 million to continue developing their products and grow their markets.

Close to 100 innovative products were actively supported through the ATS program during the year. Since its inception in 1997, the program has helped more than 600 companies attract investment and generate exports and domestic sales valued at more than \$720 million, including more than \$49 million in 2007–08.

The *BioBusiness Proof of Concept Grant Program* helps NSW life science companies take projects from research to early stage commercialisation. Ten projects were supported in the 2007–08 funding round, including EnGenelC's nanocell technology to treat cancers and Acu Rate's technology to control intravenous drips.

The NSW Government's *Film and TV Industry Attraction Fund* is used to attract overseas film projects to New South Wales. Three significant productions — *Wolverine*, *Mao's Last Dancer* and *Guardians of Ga'hoole* — were secured during the year. These projects will generate \$177 million in investment and 575 jobs during production. The incentives for *Guardians of Ga'hoole* have facilitated a broader expansion and skills development program at Animal Logic, a NSW digital production company at the forefront of the international visual effects industry.

The Department worked with the Sydney Convention and Visitors Bureau to attract international business events to Sydney and to support event bids in priority sectors that have potential to deliver significant economic / business benefits to the State. Thirty-seven events to be staged between 2008 and 2014 were won for the State in 2007–08. They are expected to deliver an estimated \$145 million in expenditure benefits and provide opportunities to showcase New South Wales' business strengths. Major conferences supported by the Department during 2007–08 included the *Young Presidents Organisation Global Leaders Conference*, the *World Congress of the Renewable City* and Bayer Schering Pharmaceutical's annual conference.

## Increase industry competitiveness

The Department organised and supported initiatives that helped key NSW industry sectors expand their markets through domestic events and initiatives. Examples of these services are outlined below.

Funding to the NSW *Industry Capability Network (ICN)* helped 100 NSW companies secure \$204 million in new business, principally in mining, construction, manufacturing and energy projects. Companies in regional New South Wales accounted for nearly 75 per cent of this business.

### Food and wine

The Department hosted food retail and food service buyers from Canada, Singapore, Malaysia, Thailand, Taiwan and China, introducing them to around 100 prospective NSW food and beverage suppliers.

The Department supported an innovative *Taste Australia* promotion in supermarkets in five Asian markets (Singapore, Malaysia, Thailand, Taiwan and China), which generated immediate sales of close to \$250,000 for the NSW participants.

Regional food and wine showcases at Parliament House are held to raise awareness in the Sydney food industry of the range of products available from NSW regional areas. During the year two regional food and wine showcases were held at Parliament House featuring the Northern Rivers and New England–North West regions, and each introduced around 30 regional suppliers to more than 200 trade and media attendees. In addition, the Department sponsored *NSW Wine Week* to increase public and trade awareness of the quality and diversity of wines from the various NSW wine regions.

### Information and communication technology

The Department sponsored *CeBIT Australia 2008*, Australasia's leading ICT trade event — exhibition space was provided to 18 innovative ICT companies. More than \$3.5 million in sales is expected to be generated as a result of their participation.

The Department worked in partnership with Microsoft Australia in the NSW.net cluster, through which some of the 137 cluster members gained sub-contract work valued at over \$4 million from Microsoft in the 2007.

The Department supported the growth of the Western Sydney IT Cluster (WSITC) to a membership of 320 companies; six Hot Topic Forums addressed industry development issues including skills shortages and environmental sustainability; and WSITC firms exhibited at *Western Sydney Manufacturing Week* and *CeBIT 2008*.

### Biobusiness

The Department supported a NSW delegation to the world's biggest biotechnology conference, *BIO 2008*, in San Diego, led by the Minister for Science and Medical Research. Around \$23 million in commercial outcomes were reported by NSW participants, including Seagull Technology, Fermiscan, Special Phage Holdings and TeleMedcare.

A trade mission to *Medica 2007*, the world's largest medical device and supplies conference in Germany, was also supported by the Department. Nineteen NSW companies were supported to exhibit, reporting an anticipated \$45 million in sales over the following 12 months from leads generated at the show.

### Security

The Department supported showcasing of NSW expertise in the security industry at Australia's largest security event, the *Security 2007* conference in Sydney, by providing space for 15 NSW companies to exhibit and hosted a business seminar and networking event. As a result, one of the companies, Argus Solutions, secured a contract from the NSW Department of Corrective Services to supply iris recognition software to its Wellington correctional facility.

The Department supported eight NSW security companies to participate in a trade mission to the United States in September 2007, which resulted in these companies securing over \$1.5 million in export contracts with another \$15 million expected over the next 12 months.

The Department supported nine NSW firms to exhibit in the Team Australia pavilion at the inaugural *Singapore Air Show*, resulting in reported export sales of \$505,000 during the show.

### Sports infrastructure and services

The Department partnered with the Victorian Government in the Australian International Sporting Events Secretariat (AISES) to help over 60 Australian firms win contracts at the Beijing 2008 Olympics, including design of several key venues by PTW Architects, Bligh Voller Nield, Cox Architects and Timothy Court and Associates; sport presentations by Great Big Events; Torch Relay management by Maxxam International; telecommunications advice by Telstra Corporation; and specialised advice and support by CI, Inocon, Infostrada, TAFE (DET International) and the NSW Food Authority. AISES conducted Games planning and technology workshops in Guangzhou, Shenzhen, Shanghai and Delhi, directly introducing and supporting some 20 NSW companies seeking business with Games organisers.

### Creative industries

In cooperation with the NSW Film and Television Office, the Department organised the first-ever Australian presence at the *Asia Pacific Advertising Festival* in Thailand. Thirteen companies participated, reporting expected sales of some \$7.35 million over the next 12 months as a result.

With Music NSW, the Department assisted six artists and bands to participate in the South-by-Southwest music festival in the United States. Participants projected business outcomes of \$2.8 million through licensing and distribution deals, show appearances and increased ticket and album sales.

In conjunction with the Stanford Australia Association and the Australian Interactive Media Industry Association, the Department conducted a seminar which attracted 140 attendees to discuss business opportunities likely to flow in the creative sector from innovations in mobile and personal digital entertainment.

Five seminars in conjunction with industry partners were conducted to enhance the business management skills and export capability of NSW fashion designers, attracting over 260 industry participants. In addition, the Department supported the online launch of a new fashion industry portal, [www.frockfashion.com.au](http://www.frockfashion.com.au), to enable the industry to have greater access to up-to-date market intelligence.

The Department hosted a networking function to provide local designers with an opportunity to meet international buyers and media representatives at *Australian Fashion Week*, which is held in Sydney each year to showcase the spring / summer collections of Australian designers to trade buyers and media from around the world.

### Develop an attractive business environment

The Department conducted its annual *BioFirst Commercialisation Awards* in July 2007, attended by 190 members of the NSW life science business and research communities, investors and media. The 2007 winner, TeleMedcare of Rosebery, has developed an innovative web-based system that allows healthcare professionals to monitor and manage chronic diseases without the patient having to leave their home or care facility.

The Australian Technology Showcase's annual *Patrons' Awards* were presented in September 2007. The Export Achievement Award went to Atlassian Pty Ltd, which has developed project management software that tracks and manages problems during software development projects. Flip Screen Australia Pty Ltd won the Commercialising New Technology Award for its innovative process that separates and recycles industrial waste.

In December 2007 the Department provided leadership in the establishment and launch of the Embedded Systems Australia cluster in partnership with NICTA, the Australian Electronics and Electrical Manufacturers Association, Australian Industry Group and the Warren Centre for Advanced Engineering. The purpose of the cluster is to pursue collaborative commercial projects targeted at the globally expanding embedded systems market. This initiative is supported by companies such as ResMed, Google, Microsoft, Canon and Cochlear and is targeting over 400 NSW businesses as potential participants.

The Department is managing the NSW Government's investment in the construction of the Blue Mountains Cultural Centre at Katoomba, which is the centre piece of the state and council-funded \$24 million Katoomba / Echo Point Revitalisation Program. A development application for the project, which includes an associated retail development by Coles, was lodged with Blue Mountains City Council during the year, with construction work likely to begin in 2009.

The Department participated in a range of industry events during the year to maintain strong links to companies operating in key innovation-driven sectors and to showcase NSW industry capabilities, the Department's business and skills development programs, and local research and development capabilities. These included exhibiting at *Manufacturing Technology InFocus* in July 2007 and jointly with TAFE NSW at the *National Manufacturing Week* exhibition in May 2008 at Darling Harbour.

The Department facilitated the announced merger of the former Air and Sea Freight councils of NSW into the Freight and Logistics Council of NSW, an industry-led forum funded by the state and Australian governments that aims to drive innovation in the State's logistics and transaction services industry sectors in line with government priorities. The council, supported by the Department, commissioned a report, *Path to Innovation*, to identify potential opportunities to achieve measurable improvements in productivity in the sector. Key initiatives recommended in this report were endorsed by the NSW Innovation Council and have been taken up for implementation.

## Market the strengths of Sydney and New South Wales

Sydney was chosen as the location for the judging of the 2008 *ANDY Awards*, a global competition that recognises creativity in advertising. The Department, with assistance from the NSW Film and Television Office, hosted a networking event at the Sydney Opera House to showcase Sydney as a world-class filming location and production centre to the 21 international judges from North America, France, Thailand, India and Japan.

The *NSW Food Export Directory* profiling more than 100 NSW food and beverage companies targeting export markets was distributed to some 200 international visitors attending the *Fine Food Australia 2007* trade exhibition.

The Department supported the staging of Fashion Group International's annual conference in Sydney in November 2007, the first to be staged in the southern hemisphere. The conference showcased New South Wales' strengths in the creative and fashion design industry sectors to more than 100 fashion industry leaders from around the world who visited Sydney for the event.

## Support science, research and innovation

During the year the NSW Government renewed funding agreements with nine leading Australian Research Council Centres of Excellence with a significant presence in New South Wales. This strategic investment in the State's research capacity, covering such disciplines as robotics, quantum computing, biotechnology, mathematics, photovoltaics and telecommunications, is helping to generate new value-added industries, skills and jobs in key sectors.

The Department works closely with the Centres of Excellence to facilitate linkages with industry in order to solve problems and commercialise new products and processes. A significant outcome during the year was the establishment of the Rio Tinto Centre for Mining Automation at the University of Sydney, which is linked with the ARC Centre of Excellence for Autonomous Systems, to develop technologies to improve mining operations.

The Department provided funding to establish a Centre for Implantable Bionics at the University of NSW. An initial focus of the centre will be collaborative work with industry to commercialise a bionic eye.

The Department provided seed funding support for the Direct Short Range Communications project being undertaken by NICTA's Embedded Systems Cluster. It aims to develop and deliver a platform and test bed for advanced wireless two-way communications between vehicles, infrastructure and other stations by the end of 2010.

The Department provided funding to the Home TeleMedcare Study for Patients with Chronic Lung Disease in Western Sydney in partnership with the South West Area Health Service, TeleMedcare and the University of NSW. The study will evaluate the use of new technology to allow individuals with chronic lung disease to be monitored and managed, predominantly in the home setting. This key technology demonstration project is expected to both improve patient outcomes and reduce public healthcare costs and is likely to have significant export potential.

The Minister for Science and Medical Research signed the NSW-Gangwon Technology Collaboration Agreement to facilitate joint international research projects between business and research organisations from New South Wales and the South Korean province of Gangwon on medical devices, information and communications technology, advanced materials and biotechnology.

## Case Study

### Environmental Business Solutions

Environmental Business Solutions, based in Newcastle, has developed an environmental management system that delivers sustainable environmental and economic benefits to operators of Australian and overseas golf courses.

The company's E-PAR® technology was admitted to the ATS following a rigorous evaluation process that looked at such issues as the innovative nature of the technology, its scientific credibility and its commercial potential.

*ATS Export Support Grant* funding provided to the company helped it to pursue potential export market opportunities, particularly in the United States. As a result of market visits to the United States, the company has signed contracts to supply its E-PAR® system to:

- › the Troon Golf portfolio of golf courses in 26 countries
- › Audubon International, which manages a US environmental stewardship program
- › the International Golf Course Equipment Managers' Association.

Environmental Business Solutions' management systems have been certified to international standards. This enables E-PAR® to audit and certify the carbon footprint of golf courses and other turf facilities and allows golf course managers to calculate their CO<sub>2</sub> emissions and carbon offsets or credits.

# Investment

Attracts business investment to metropolitan,  
rural and regional areas of the State

# Investment

## Nature and Scope of Activities

The Department, through the Investment Division, competes to win business investment for New South Wales against international and interstate competition and attracts business and skilled migrants to the State. The Department also facilitates the relocation, consolidation and expansion of major and strategic businesses within the State.

## Services Framework

### Investment attraction

Secures business fixed investment from international and domestic markets across a range of sectors, focussing on the key sectors identified in the *Innovation Statement*. The Department also has China and India desks dedicated to attracting business investment from these markets.

### Major projects

Secures and helps streamline the implementation of large-scale projects in logistics and transaction services, resources and other sectors of the economy.

### Business and skilled migration

Attracts and sponsors business migrants and migrants with skills in demand to the State.

## Strategic Operating Environment

The environment for investment attraction was challenged by the rising value of the Australian dollar which meant that New South Wales and Australia became less cost-competitive against a range of cities in North America and Eastern Europe, as well as Asian business centres.

The Division's strategy of pursuing higher value-added activities involving new technologies and high-end labour force skills proved robust in the changed operating environment as demonstrated by projects attracted during the year in the ICT, manufacturing and creative / digital media sectors.

Skills shortages continued to be a major constraint on business growth. Signs have emerged, however, that the slowdown in the international economy has led to skilled expatriates, particularly in the financial services sector, returning to Australia.

Outcomes exceeded the Department's targets.

## Major Achievements

### Facilitate business investment

The Division secured 30 investment projects. These projects represented business fixed investment of \$667 million and are forecast to employ 3,720 people and generate annual exports of \$480 million. Further investment and employment results were generated through sponsoring business migrants — for details see the Business migration on page 31.

To attract projects the Division undertook international promotional activities and numerous meetings with decision-makers, provided tailored business information, assistance with site selection and advice to help projects proponents navigate approvals processes.

The Division's focus was on the five key sectors identified in the *Innovation Statement* — logistics, financial services, creative industries, manufacturing and resources. In addition, tourism investment opportunities were targeted.

During the year the Department undertook investment attraction missions in the following countries:

- › China (October, November, March, May)
- › Dubai and Kuwait (April)
- › India (February and May)
- › Italy and Netherlands (May)
- › Taiwan (March)
- › United States (January).

### Regional headquarters

Five of the projects won during the year involved establishing Asia Pacific regional headquarters for companies in Sydney. These five projects will bring investment of \$54 million and 569 jobs when fully operational. Three of these projects are in the financial services industry, one is in ICT and one is in manufacturing. Chinese manufacturer Citic Heavy Machinery Company Limited established an Asia Pacific regional headquarters in Sydney and will provide project management and training from its Sydney base.

### Logistics and transaction services

The Division attracted Redlake Enterprises' logistics centre for earthmoving equipment and Arvato Direct Services' call centre to Newcastle. Together these projects involve investment of \$135 million and 640 jobs.

### Financial services

Seven financial services projects were attracted during the year involving investment of \$53 million and 418 jobs. Importantly, the People's Bank of China, China's central bank, has established a representative office in Sydney. This is expected to lead to further companies from China establishing in New South Wales and to facilitate tourism from China. Traditional investment sources are still strong with the Bank of Ireland and a number of US financial services organisations establishing in New South Wales.

### Entertainment design and media

The Department won three projects in the entertainment design and media sector during the year. These will involve investment of \$14 million and 775 jobs. These projects included an expansion of production facilities for digital media, a digital sports games facility and a centre to develop 3G technology and broadband products.

### Manufacturing

Seven manufacturing projects were secured during the year with investment of \$225 million and 469 jobs. Two of these projects were in the field of renewable energy — photovoltaics and solar hot water. Two projects were in aerospace. Broens Industries will establish production facilities for tooling for the Lockheed Martin F35 Joint Strike Fighter and Turbomeca will establish a second helicopter jet engine facility. Pacific Beverages will establish a brewery at Warnervale on the Central Coast.

### Tourism

The Department won two tourism-related projects during the year. V Australia, the new international airline of the Virgin Blue Group, agreed to establish its operational headquarters in Sydney. Ethihad Airways decided on a project which allocated four additional weekly flights to Sydney. Together these projects will bring \$144 million of new investment and 950 new jobs to Sydney. They will boost international flight capacity for business and leisure tourists to Sydney, many of whom will go on to visit regional areas of the State. Further details of the V Australia project appear in the case study at the end of this chapter.

### Resources

Whilst not traditionally seen as a resources State, New South Wales is attracting interest particularly from India and China as their demand for raw materials grows. The Department is seeking to attract exploration, production and downstream processing activities to the State. Through the China desk, the Department worked to secure investment by major Chinese company the Guangdong Yudeau Group in a NSW coal mine, helping to improve the trade and investment linkages between China and New South Wales.

### Information and communications technology

As a result of its three investment missions to India during the year, the Department attracted three investment projects in the information and communications technology industry. These projects were from major Indian companies Polaris, Rolta and Wipro. Together they accounted for investment of \$15 million and 366 jobs in this industry sector. Polaris is establishing a centre of excellence in Sydney to conduct testing of financial services software while Wipro is establishing a centre in Parramatta to provide consulting and testing services to domestic and global companies in Australia. In addition, the Chinese company Huawei will undertake a multimillion-dollar investment which will bring new broadband technologies to New South Wales.

### Life sciences and trade

Of the other projects attracted during the year two important health projects stand out. These were a Diabetes Vaccine Development Centre and the National Institute of Complementary Medicine, the latter set up at the University of Western Sydney. The Shenzhen Bureau of Trade and Industry decided to establish a representative trade office in Sydney which will facilitate trade and investment with this important city in Southern China.

### CEOs Forum on Economic Development

The CEOs Forum on Economic Development brings together CEOs of NSW government agencies in a whole-of-government approach to handling major investment projects and issues affecting economic development. In July 2007 responsibility for convening the forum passed from the Department to the Office of the Coordinator General in the NSW Department of Premier and Cabinet.

### Drive for Talent

The Department's *Drive for Talent* program attracts skilled workers to live and work in metropolitan and regional New South Wales. Skilled workers are sought from overseas and interstate to settle in New South Wales. Expatriates are also encouraged to return to live and work in New South Wales.

The program seeks to attract people with skills in demand in finance, information and communications technology and bioscience to metropolitan areas. Regional business development authorities have also identified skills in demand in regional and rural areas. These skills differ from region to region and may include medical, engineering, town planning and trade skills.

Under the program in 2007–08 the Department supported almost 800 visa applications which will bring skills to the State in areas where a shortage has been identified.

New South Wales was promoted at *Australia Needs Skills Expos* in London and Sydney as well as to skilled workers at career and employment expos in Sydney, Melbourne, Adelaide and Brisbane. As a result of the promotion of New South Wales at these events, it is expected there will be an increase in skilled workers moving to the State in the long term. The *Australia Needs Skills Expos* were attended by over 10,000 people, over 300 of whom held discussions with staff at the departmental booth. The

expos are expected to lead to more than 50 skilled workers applying for visas to migrate to New South Wales.

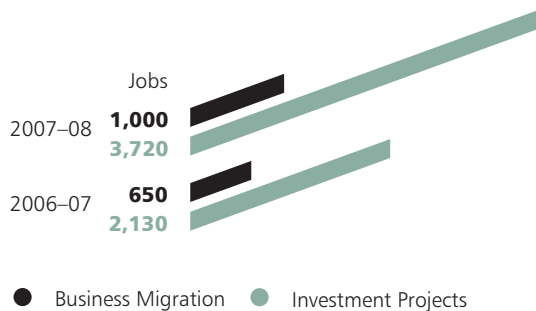
The *National Careers and Employment Expos* were attended by 100,000 people and large numbers held discussions with Department staff.

#### Business migration

Foreign business owners and entrepreneurs are encouraged by the Department to migrate to New South Wales to establish

operating businesses in the State. The Department sponsored 452 potential business migrants, an increase of three per cent over last year. More than 80 per cent of business migration applicants sponsored by the Department are ultimately approved by the Australian Department of Immigration and Citizenship. The business migrants granted visas are expected to invest more than \$57 million and create almost 1,000 jobs.

#### Business migration and investment projects jobs generated



## Case Study

### V Australia

On 31 March 2008 the Premier and Sir Richard Branson announced that V Australia would locate its operational headquarters in Sydney. This represents an investment of \$44 million and employment around 1,000 people at higher than average salaries. V Australia will commence operations with a fleet of seven Boeing 777-300ER aircraft and plans to start flying between Sydney and Los Angeles in February 2009.

The airline will base its aircraft simulator and cabin crew trainer in Sydney and conduct its 777 pilot and cabin crew training in Sydney.

V Australia is Australia's newest international airline and is owned by Virgin Blue, part of the international Virgin Group.

The company chose Sydney because of its status as Australia's global city and major international tourism and aviation gateway. The assistance of the Department was also important in the company's decision. The Department attracted this project by promoting the benefits of Sydney over rival cities, liaising with Sydney Airport and providing other tailored assistance.

With Sydney as V Australia's main operating base as well as Sydney-Los Angeles as its first route, the project will bring great benefits to New South Wales and a new wave of visitors. V Australia has agreed to spend \$1 million per year for five years on an international marketing campaign so numbers of new visitors to New South Wales are likely to increase substantially, giving a boost to the NSW tourism industry. V Australia is expected to generate 500,000 additional bed nights and \$76 million per year in visitor spending over the next five years.

# Office for Science and Medical Research

Promotes growth and innovation in science and  
medical research and supports and enhances  
the public profile of the sector to achieve better  
economic, technological, health and environmental  
outcomes for the people of New South Wales

# Office for Science and Medical Research

## Nature and Scope of Activities

The Department, through the NSW Office for Science and Medical Research (OSMR), works with the scientific, technological, health and medical research communities, the higher education sector and business to promote growth and innovation in science and medical research to achieve better economic, health and environmental outcomes for the people of New South Wales. The major objectives are to build the State's knowledge base to respond to challenges and opportunities within the research sector, promote national and international collaborations in science and medical research in New South Wales to attract increased investment to New South Wales, create strong linkages between the higher education sector, business and the community and continuously identify new areas of science and medical research of relevance to New South Wales.

## Services Framework

The Department works towards these outcomes through targeted grants programs, strategic investments in areas of state strength, creation of research networks and hubs, sponsorship and organisation of forums, workshops, conferences and promotional activities, advice on legislative, regulatory and policy initiatives impacting on science and medical research and performance, and support of science communication initiatives and public engagement activities.

## Medical research

The Medical Research Unit works to build health and medical research capacity in New South Wales, increase the sector's competitiveness in attracting research funding to the State and facilitate the translation of research into policy, products and practice.

## Science

The Science Unit develops and implements programs that strengthen science research and innovation capabilities in New South Wales, primarily targeting infrastructure and research training and attracting Commonwealth investment.

## Policy

The Policy Unit undertakes science communication initiatives and coordinates cross-divisional and inter-agency business, including ministerial and parliamentary matters.

## Strategic Operating Environment

New South Wales has internationally competitive strengths in areas such as clinical research, medical devices, proteomics, photonics and advanced computing. National biomedical research leaders in New South Wales include the Garvan Institute of Medical Research, Westmead Millennium Institute and Victor Chang Cardiac Research Institute, as well as 11 universities located in New South Wales, two of which are ranked in the top 100 global universities.

NSW researchers must compete with researchers from other jurisdictions to attract funds from national and international sources. Attracting such funding requires research critical mass and high quality capital stock and infrastructure, as well as world class researchers. It also increasingly requires an environment which balances collaboration with competition and where industry linkages are necessary.

## Major Achievements

### Develop an attractive business environment

#### Investment in research platforms and research networks

The Department, through OSMR, continued investing in research platforms to accelerate the state-wide research and innovation effort, with a major focus on increasing New South Wales' participation in international clinical trials and the establishment of major new research networks.

The Department's investment in research platforms and major research networks included:

- › \$600,000 and related facilitation provided to support the Australia New Zealand Spinal Cord Injury Network in its first three years of operation (2008–10). This trans-national network links researchers, clinicians and consumer advocates

from Australia and New Zealand and will accelerate the spinal research effort through national and international collaborations and build local capacity to undertake multi-centre clinical trials in this field

- › \$1 million to support the NSW Node of the Population Health Research Network, a major new research platform that will promote and facilitate health data linkage on a national scale under the Federal Government's National Collaborative Research Infrastructure Strategy
- › \$3 million in boosted infrastructure support for NSW medical research institutes. The *NSW Medical Research Support Program* provides critical infrastructure support on a competitive basis to underpin research activities in the NSW health and medical research sector. The program helps meet operational costs that are not covered by research project grants, such as salary support and laboratory equipment
- › \$1.2 million allocated in grant support under the *Life Sciences Research Awards* (2006–11) for three internationally recognised scientists to relocate their research programs to New South Wales. The recipients are working in the areas of cardiovascular research, the development of natural herbicides and carbon accounting in forests.

### Conference and event sponsorship

The Department sponsored and supported a number of conferences and events relating to science, health and medical research, including:

- › the Australian Society for Medical Research's *Medical Research Week*<sup>®</sup>, June 2008
- › the annual Cooperative Research Centre conference, May 2008
- › *Thank You Day*, organised by Research Australia, October and November 2007
- › *Ultimo Science Festival* (USF) organised by the Powerhouse Museum and the USF Organising Committee, August 2007.

### NSW Medical Research Liaison Group

The Department established the NSW Medical Research Liaison Group, an advisory working group of representatives from the State's eight medical research precincts to share information and provide advice to the Minister for Science and Medical Research and the Department on matters of relevance to the medical research sector in New South Wales, including advice on:

- › Commonwealth programs for supporting medical research, including National Health and Medical Research Council grants and the Commonwealth Government's Higher Education Endowment Fund and Education Investment Fund
- › best practice governance models for NSW medical research precincts and strategic approaches to the development of proposals seeking state and federal funding for capital infrastructure.

### NSW Science Agencies Group

The NSW Science Agencies Group was established to achieve cross-government communication on NSW agencies' science activities, priorities, investment and mechanisms through which to better access Commonwealth funding programs. The NSW Science Agencies Group consists of senior officers from NSW government agencies. The Department coordinated the group and acted as secretariat. To date, the group has provided critical advice on establishing the NSW Chief Scientist and Scientific Engineer positions.

## Support science, research and innovation

### NSW Science Communication Initiative

The *NSW Science Communication Initiative* is a program which promotes the value and importance of science, to foster recognition of the contributions made by scientists, to promote science careers, and to strengthen scientific knowledge, expertise and information-sharing within the State.

The initiative includes support for:

- › the *Young Tall Poppy Science Awards*, which recognise outstanding young researchers across all fields of science and engage them in the promotion of science and innovation in schools and the broader community. The awards were run by the Australian Institute for Policy and Science and sponsored by the Department
- › the *Australian Museum Eureka Awards*, which is Australia's premier award scheme for outstanding science. The Department sponsors the \$10,000 *Jamie Callachor Eureka Prize for Medical Research*, which in 2007 was awarded to an outstanding individual in the area of cardiovascular research, Professor Levon Khachigian
- › the *NSW Young Science Ambassador Fund*, which provides scholarships through the National Youth Science Forum. Eleven NSW students received scholarships in 2008, allowing them to participate in a number of science events in Canada, Russia, England and South Africa.

### NSW Scientist of the Year Awards

The *NSW Scientist of the Year Awards* were launched on 17 March 2008, offering \$85,000 in prize money for research that has generated economic, health, environmental or technological benefits for New South Wales. The overall NSW Scientist of the Year is selected from the winners of eight scientific categories. An additional category rewards outstanding ability and leadership by a secondary school science teacher.

### Australian Science Media Centre

The NSW Government became a foundation sponsor of the Australian Science Media Centre, a national, independent organisation which provides evidence-based science to the public through the mainstream media. The Department provided funding support and participates at board meetings.

### E-newsletter

The Department continued to produce an informative e-newsletter to promote science and medical

research news and achievements in New South Wales. The newsletter has a readership of almost 1,000 subscribers in the scientific and medical research sectors.

### NSW Clinical Trials Business Development Centre

The NSW Clinical Trials Business Development Centre was established with \$1 million of seed funding from the Department. The Centre is hosted by the Cancer Institute NSW. Its mission is to attract increased investment to the NSW clinical trials sector. The Centre will leverage the Cancer Institute NSW's significant infrastructure and help New South Wales attract a greater share of the global \$11 billion per annum clinical trials market.

### Designing and conducting clinical trials

The Department partnered with the National Health and Medical Research Council Clinical Trials Centre, Harvard Medical School academic, Professor James Talcott, and other leading clinical trials centres to develop and run *Designing and Conducting Clinical Trials*, a five-day, practice-based intensive clinical trials training course for physicians and students. The course was part of the State's ongoing efforts to develop and promote Sydney as an Asia Pacific leader in clinical trials.

### Joint NSW / Victorian Stem Cells Grant Scheme

A joint \$1million NSW / Victorian *Stem Cells Grant Scheme* was established with support from the Department to leverage existing capacity in both States and expand stem cell research. In 2007–08 a \$250,000 grant was awarded to Sydney IVF to undertake stem cell research, including the use of somatic cell nuclear transfer.

### MS Brain Bank

A NSW government contribution of \$500,000 was provided to help establish a multiple sclerosis (MS) brain bank, the first dedicated MS tissue bank in Australia. The bank has given the State's scientists and medical clinicians a specialised library of the material needed to carry out MS research work.

### NSW attracts Commonwealth medical and science research funds — Science Leveraging Fund

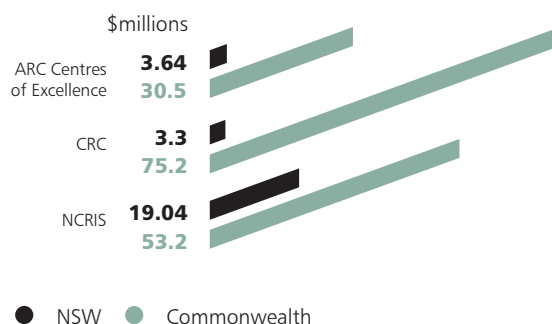
The Department provided targeted assistance to help NSW researchers attract national and international investment to New South Wales through the \$40 million *NSW Science Leveraging Fund* (SLF).

In total since 2006 the NSW Government has committed \$26.4 million to NSW research consortia under Commonwealth programs, including the National Collaborative Research Infrastructure Strategy (NCRIS) and the Cooperative Research Centres and Australian Research Council (ARC) Centres of Excellence programs. This SLF support has resulted in over \$550 million investment in research, development and related education capacity in New South Wales, including over \$170 million cash from the Commonwealth and further cash and in-kind investment from partners in excess of \$355 million.

SLF provided funding for research infrastructure, including:

- › a new medical imaging facility at the University of Western Sydney, and another facility operated collaboratively by the Prince of Wales Medical Research Institute and the University of NSW
- › the Institute for Transdisciplinary eResearch Services and Technology (INTERSECT) a new peak eResearch body servicing the research and innovation sector in New South Wales
- › the new Defence Materials Technology Centre (DMTC) to support materials and manufacturing research and development activities in the defence sphere
- › nine ARC Centres of Excellence in the areas of quantum computing, photovoltaics, biotechnology, autonomous systems, advanced materials, communications, agriculture and complex systems.

### SLF attracted Commonwealth funds since 2006

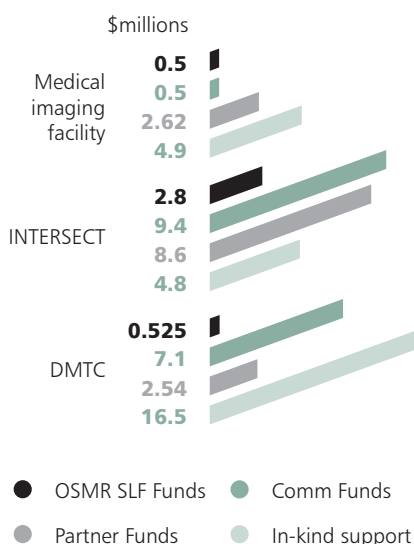


In 2007–08 the Department committed over \$9 million in new funding from the *Science Leveraging Fund* for programs which attracted contributions of over \$81 million from the Commonwealth, \$55 million from partners and \$92 million in-kind support.

### Overall 2007–08 funds committed



### Funding for research infrastructure



### Government policy and regulation support research and development outcomes

The Department, provided input into a range of government enquiries and reviews including:

- › Inquiry into nanotechnology — In December 2007 the Minister for Science and Medical Research requested that the Legislative Council Standing Committee on State Development conduct an inquiry into nanotechnology in New South Wales. To date OSMR has provided evidence and assisted with coordination of input. The Committee will report in October 2008
- › National Innovation System Review — OSMR contributed to the Department's submission to the National Innovation System Review and coordinated forums and provided input into the Collaboration and Cooperative Research Centre Review Working Group
- › Medical research precincts development — OSMR provided strategic advice on governance models and strategies to attract capital and infrastructure funding

for the State's medical research sector and to create critical mass for the State's medical research institutes, encouraging investment and the acquisition and the sharing of state-of-the-art research equipment and facilities. The Department conducted ongoing work with the sector to consolidate the development of eight medical research precincts.

### Commonwealth and Australian States and Territories mechanisms

The Department continued its work with the Commonwealth, Australian States and Territories through mechanisms including the:

- › Australian Chief Scientist
- › Biodiscovery Working Group (coordinating the development of a NSW position on biodiscovery and benefit-sharing in line with Commonwealth, state and territory policy developments)
- › NSW synchrotron consortium (ensuring alignment of the NSW investment with NSW government priorities and maintaining engagement with the Victorian Government and Australian Synchrotron)

- › Nanotechnology States and Territories Committee
- › NCRIS States and Territories Officials Committee
- › CSIRO and ANSTO.

### More students choose science and technology career pathways

Under the NSW Science Communication Initiative the Department launched:

- › *Science EXPOsed*, an annual event designed to raise awareness among high school students of the various career opportunities that science can offer. This event attracted more than 1,600 school students from 63 NSW high schools to attend science shows, workshops, panel discussions and an expo
- › *Science Exposé*, a state-wide competition for high school students in Years 7 to 10. The competition builds on the current science Years 7 to 10 syllabus and is being run in collaboration with the NSW Department of Education and Training.

## Case Study

### The Cardiovascular Research Network

A joint initiative of the Department and the National Heart Foundation, the Cardiovascular Research Network is set to attract a total of \$3.6 million to accelerate the state and national effort in cardiovascular research.

It follows a NSW government commitment of \$1.5 million to unlock \$1.8 million in funding from the National Board of the Heart

Foundation, in addition to \$300,000 in network member contributions.

The NSW Cardiovascular Research Network brings together 20 NSW institutions and 39 individual members and organisations that have a primary interest in diseases of the heart, kidneys, blood vessels and diabetes. The network aims to boost NSW cardiovascular research capacity

and funding and to promote science education and skills development of cardiovascular researchers.

Cardiovascular disease claimed the lives of almost 46,000 Australians in 2006. Cardiovascular disease also generates the largest health system costs of all diseases, accounting for \$7.6 billion per year, or 10.9 per cent of total direct health expenditure.

# Policy and Resources

Coordinates program and policy development, monitors organisational performance and delivers corporate services

# Policy and Resources

## Nature and Scope of Activities

The Policy and Resources Division supports the Department's operations through a diverse range of services. This includes all aspects of resources management, as well as advice to Ministers and the executive management team on economic development in New South Wales.

## Services Framework

### Policy Unit

The Policy Unit advises the Director General and the Department's Ministers on economic and business development issues. To promote the State's business interests, the Unit works closely with other NSW agencies, governments in other jurisdictions and industry and business groups. The Unit also provides secretariat support to three advisory councils — the NSW Manufacturing Council, NSW Asia Business Council and, jointly with the NSW Department of Education and Training, the NSW Skills Council.

### Business Analysis and Information Unit

The Business Analysis and Information Unit evaluates the impact on the State's economy of projects relating to the Department's results areas. As the principal source of internal research and analysis, the Unit supports decision-making with economic and statistical advice, investment analysis and comparison of the State's economic performance with competitor markets.

The Division is also home to the Human Resources, Finance and Administration, Legal, Information and Management Services, and Performance and Governance units.

## Strategic Operating Environment

The Policy and Resources Division is responsible for ensuring that the Department's activities and services are consistent with whole-of-government policies and procedures. Of these, some of the most significant are:

- › Strategic Management Framework of the NSW Department of Premier and Cabinet, asset management, financial reporting, human resources and other agency corporate services planning
- › Auditor General's Office requirements
- › *State Plan*
- › *Metropolitan Strategy* for Sydney and regional sub strategies
- › Treasury requirements for budget reporting
- › Results and services planning.

In 2007–08 the Division progressed the *State Plan* implementation process in the Department and with other agencies, leading to better communication and collaboration on investment, skills and regional business growth opportunities.

## Major Achievements

The goal of the Division's activities is maintaining the smooth operation of the Department, which has diverse and dispersed functions. A primary role is the generation and distribution of information and advice to assist divisions, government agencies, industry boards and councils in their decision-making and activities.

## Facilitate business investment

The Department has lead responsibility for coordinating the implementation of the delivery of two of the 34 *State Plan* priorities:

- › **Priority P1** – Increased Business Investment in New South Wales
- › **Priority P6** – Increased Business Investment in Regional and Rural New South Wales.

Priority Delivery Plans, including targets and measures, have been developed by the Department and agreed by the Cabinet Standing Committee on State Plan Performance.

In addition, the Department provides support for the cross-departmental Economic and Business Cluster which is chaired by the Director General.

The cluster, which meets quarterly, provides a structure for heads of agencies to work together on strategic projects and issues to implement *State Plan* priorities P1, P3, P4, P6 and P7. The cluster established a Senior Officers Group on Climate Change and Economic Opportunities and a Senior Officers Group on Skills, operating as the NSW Skills Council. In December 2007 a stakeholder consultation session was held coinciding with the one-year anniversary of the *State Plan*. Throughout the year the Division has fostered increased staff awareness of the *State Plan* and the Department's responsibilities through regular staff briefings.

In May the Department produced the annual flagship publication, *New South Wales Competitiveness Report 2008*, which presents a range of economic, business and demographic information in an international context to highlight the strengths of the State as an investment location.

The Department also produces profiles on growth industries in the State, including the creative industries and the information and communication technologies sector. These profiles are used to promote NSW industries at trade and investment missions and conferences, as well as provide information to departmental staff and clients on the State's competitive strengths.

The Department prepares economic evaluations to identify the value associated with specific projects leading to investment in the State. A total of 71 new economic evaluations were completed, providing quantitative estimates of the projects' potential to add value to the State's economy and to generate new investment and employment. In many cases, these analyses included commentary on industry skills issues, economic flow-on benefits and industry clustering.

The Legal Unit worked on a number of funding agreements under various programs to ensure that key performance measures in contracts are directed towards contributing to investment growth and innovation policy goals.

## Increase business competitiveness

The Division provided timely policy advice to Ministers and the executive team on economic, investment and business development issues facing New South Wales to enable informed decisions on advancing New South Wales as a competitive business location.

Significant submissions included:

- › advice to the Commonwealth Government on Australia's bilateral free trade agreement negotiations with Japan and Chile. The free trade agreements are intended to improve access to these markets for Australian exporters and investors, and facilitate increased trade and investment into Australia
- › input into the NSW Government's response to the Commonwealth Joint Standing Committee on Treaties, which was reviewing co-production film agreements with Singapore and China. These treaties are expected to benefit the NSW film industry by opening up new markets and creating employment opportunities for Australian industry personnel
- › preparation of the NSW submission to the Commonwealth Review of Export Policies and Programs, which provided analysis of export trends in New South Wales and presented concerns and opportunities for export-capable and active exporters where government action can assist
- › advice to the Legislative Assembly Standing Committee on Broadband in rural and regional communities, which promoted the economic potential arising from a modern and ubiquitous broadband infrastructure in regional New South Wales.

The Division provided input to NSW policy development in response to Commonwealth policy proposals in the area of climate change. This was done through advice to the Director General, the Department's Ministers and other NSW Government agencies on the economic development implications for New South Wales of proposed climate change policies. Input was provided for the development of NSW government submissions to the Garnaut Review and the whole-of-government submission on the review's issues paper on financial services was coordinated by the Policy Unit.

The Department planned and managed a summit on the impact of the Australian Government's proposed emission trading scheme on trade-exposed emission-intensive industries. The Division also assisted the NSW Department of Water and Energy and the NSW Department of Primary Industries to host a Summit on Clean Coal Technologies. The Department worked with these departments to evaluate options for developing a NSW roadmap for clean coal technologies.

The Department, in partnership with the Australian Business Foundation, contracted the Macquarie Graduate School of Management to undertake a study of business clustering in the Pacific Corridor between North Sydney and Macquarie Park. The project is also drawing on in-kind support from the departments of Lands and Planning. The study is aimed at determining business activity in the corridor and understanding business clustering in that region. The results will be used to develop strategies to facilitate increased business investment in other Sydney metropolitan areas.

The Department provided secretariat and project management support to the NSW Manufacturing Council, which advises the NSW Government on issues which impact on manufacturing in New South Wales and how the Government can support and promote NSW manufacturers and their products. Key work areas for consideration by the council during the year were innovation in manufacturing, advisory services for manufacturers, NSW government procurement guidelines, and energy policy and skills for greener manufacturing.

During the year the Department commissioned the study, *Bridging the Barriers: a Study of Innovation in the NSW Manufacturing*, which identified policy measures to encourage innovation in the manufacturing sector in New South Wales. The study recommended an increased focus on attracting 'greenfield' manufacturing investments, as part of the NSW Government's inward investment strategy; a greater recognition of the TAFE and VET sector in innovation policy and decision-making; and improved measurement and monitoring of manufacturing industry performance.

## Develop an attractive business environment

As part of the Department's program of red tape reviews, the Division provided statistical profiles for the waste management and recycling and rental, hiring and real estate sectors. The statistical profiles assisted the review taskforce to develop recommendations to simplify regulations affecting these sectors. The reduction of red tape produces cost savings for business, contributing to an environment conducive to investment.

The Department worked with the NSW Department of Planning and with local governments on the implementation of the Sydney Metropolitan Strategy and the development of regional and subregional strategies to promote growth in regional cities, major and specialised centres and smaller centres. Expected outcomes include increasing the attractiveness of strategic centres to live, work and invest in, increasing jobs and achieving a closer connection between major centres and metropolitan cities.

The Division supported meetings of the NSW Skills Council, which provides advice to the NSW Government on ways to address skills shortages. This included initiatives to address specific skills issues for the sectors prioritised in the *Innovation Statement*. Additionally, the Division worked with the NSW Department of Education and Training to support its goals under the *State Plan*.

### Market the strengths of Sydney and New South Wales

The Division contributed to the foundation research for the *Brand Sydney* project, developing a branding strategy for the city. The Division also provided information on Sydney's economic sectors, their value and contribution to the city's positioning relative to other global centres.

During the year the NSW-Asia Business Council was expanded from 14 to 22 members. New members brought strong linkages to key markets such as China, India and the Middle East and broadened the membership of the council. The council plays a valuable role in providing support and direction to NSW government activities fostering closer trade and investment relations with Asian economies.

The council's showcase event for the year was the 2007 Premier's Asia Business Dinner, which attracted 460 guests directly involved with trade and investment between New South Wales and Asian economies. The council also undertook an investment visit to Newcastle in May 2008.

## Corporate Environment

### Performance and governance

The Performance and Governance Unit manages the corporate governance framework, risk management, fraud control and external and internal performance reporting and supports business and strategic planning activities. The Unit ensures that organisational development projects, program reviews and associated initiatives provide measurable business improvement and quality assurance outcomes for the Department. The Unit also provides support to the Department's Audit and Review Committee.

Major achievements during the reporting year included the review, update and publication of the following policies and guidelines:

- › Client Feedback — Handling Complaints, Suggestions and Compliments
- › Labelling and Handling of Confidential Information
- › Privacy and Spam
- › Sponsorship.

An electronic register was established for staff to record the receipt of gifts and benefits. Staff training in the policies of conflict of interest and gifts and benefits was conducted.

The Division coordinates the development and updating of the Department's annual *Results and Services Plan*, which incorporates a results logic providing a line of sight for performance management by setting out linkages between government priorities (including *State Plan* priorities), the results that the Department is working towards, the services it delivers to contribute to those results and the cost of delivering those services as reflected in the Department's budget.

The Division conducts an annual client survey of over 700 small and medium-sized enterprises and investment clients. Overall satisfaction with the Department's assistance, knowledge and service of staff remains high. Almost every business surveyed showed strong interest in using the Department's services in the future.

## Human Resources

The Department places strong emphasis on the recruitment and retention of skilled, qualified and committed staff.

The Human Resources Unit provides support and guidance on conditions of employment, training, equity, occupational health and safety, workers compensation and rehabilitation, grievance resolution, organisational change, performance management, job evaluation and establishment. The Unit is also responsible for implementing workforce management and industrial relations policies and procedures.

The changing workplace and external environment demands a responsive, skilled and flexible workforce. The Department's commitment to the learning and development requirements of its staff is reflected in the extensive internal learning and development program, access to relevant external programs and a comprehensive study assistance scheme available to all staff.

Training activities included the development and introduction of new internal learning programs in project management, financial management, working for government, communication and writing skills. Short programs and information sessions designed to educate and inform staff on the business and technical aspects of the Department's operations were conducted. Leading government and industry speakers addressed the *Young Professionals Breakfast Forums* and the *Management Development Program*, in which 32 staff participated. Nineteen staff were assisted to undertake external studies through the Department's study assistance policy.

As part of the Department's workforce strategy, the *Graduate Program* continued, with an intake of four graduates in January 2008. Four graduates from the previous year have won permanent positions with the Department. The program is important to the Department's long-term capability, providing a pool of talented young people to refresh the Department's skill set.

The Department's annual staff awards ceremony recognised ten individuals and four teams for their outstanding achievements in Communication and Teamwork, Planning and Risk Management and Improving Organisational Performance and Client Service. The ceremony celebrates and acknowledges the outstanding support and services of staff members across a range of disciplines and business units.

#### Information Management Services

Information exchange, knowledge management and the communication of ideas are core functions and capabilities of the Department. The Information Management Services Unit maintains critical infrastructure – record management, websites, databases, the intranet, information research services and the computer network – used across all divisions of the agency to ensure these activities are conducted as efficiently and effectively as possible.

Over 480 workstations plus associated printers and over 38 network servers and associated equipment and software systems are supported in 20 physical locations across the State.

During the year the ICT infrastructure at all 18 regional sites was replaced and the back-up solution and email post office arrangement were changed. Several sites were moved to a higher bandwidth. A storage area network was implemented at the head office together with a major server migration to improve the speed and responsiveness of the system.

Network services and desktop support are contracted-out to the Central Corporate Services Unit of the NSW Department of Commerce (Service First from 1 July 2008) and Uecomm (a division of Optus) with whom a close daily relationship is maintained.

The *Information Management and Technology Strategic Plan* and records management documentation were updated, including the negotiation of a standard naming convention across divisions. These formal practices support the Department's goal to be a robust, integrated and secure, best practice information management environment.

The Department maintains two internally-supported web hosting environments and 25 websites (listed in Appendix 13).

With two exceptions, departmental websites required compliance with the NSW government standard during the year. A range of website activity also supported a number of specific departmental programs to enhance communication with the Department's client base.

The Department maintains a number of databases to enhance staff productivity and support program management. Central to these are the corporate client database known as Search Your Data (SYD), recording client details, project assistance and other interactions, as well as the human resources and telephone database, which records staff details, positions, functions and reporting lines.

The corporate database was recently rebuilt as a web-enabled tool and work has also commenced on integrating two older CRM systems and eight other data sources into SYD. In addition, five other specialist databases were supported by the Unit.

#### Finance, Administration and Legal

The Finance and Administration Unit is responsible for financial and budgetary management, preparation and review of financial statements, reporting requirements, strategic financial advice, coordination of the internal audit function and the management of the Department's

outsourced financial services. The Unit is responsible for administration and property services, which include lease negotiation and property management of the Department's various sites. Procurement policy in the Department is also managed by the Unit.

During the year the Unit was involved with several significant developments that enhanced the existing policies, procedures and service delivery. These included:

- › review and re-formatting of the disclosure of financial information in the Budget Papers to provide a clear link to the Department's results and services across its five portfolio areas
- › development and distribution to all staff of updated Corporate Credit Card and Overseas Travel policies
- › appointment of a Manager, Procurement to manage enhancements to the Department's purchasing policies and procedures, particularly in the area of e-procurement. In addition the Manager, Procurement provides strategic and procedural advice to staff on a range of procurement matters
- › project management of the essential upgrade of the computer room located at the Department's Tourism NSW site at Harrington Street
- › project management of the closure of the Sydney Visitors Travel Centre at Sydney Airport
- › contracting of StateFleet to deliver fleet management services for the Department's motor vehicle fleet following the termination of fleet management arrangements with the Department of Premier and Cabinet.

The Department's legal staff provide legal advice and representation to the Department's divisions and advice to the executive management team on contractual, commercial and administrative law issues.

# Regional Development

Increases business investment and strengthens business competitiveness in rural and regional New South Wales



The Department's approach to regional economic development is one of strategic intervention. Working in partnership with regional businesses and communities, the Department targets its assistance programs and services at initiatives that can make a real difference to economic development in regional New South Wales.

Economic growth is promoted through the attraction of new business investment and helping existing enterprises to grow and improve their competitiveness. The Department also assists communities to build their capacity to harness business opportunities and to raise the profile of regional New South Wales as a business destination.

One of the Department's key roles is to capture opportunities for investment and business growth for NSW regions. To achieve this, the Department delivers financial assistance programs and services which are only available to regional businesses and communities. Regional businesses also have access to the Department's full range of state-wide programs and services.

The Department's regional development programs and facilitation services, as well as state-wide programs, are delivered through a network of 18 offices located outside of Sydney.

In 2007–08 under the *State Plan*, a new engagement model was established to give business issues priority across all relevant NSW government agencies. The Department chairs an Economic Development Cluster of Chief Executive Officers and, at the regional level, is the lead agency for economic development subcommittees of the State's Regional Coordination Management Groups.

The Department also houses the Office of Biofuels established to administer the *Biofuel (Ethanol Content) Act 2007*, which commenced on 1 October 2007. The legislation applies to primary wholesale petrol sales and currently requires a minimum two per cent ethanol content in petrol sales in New South Wales.

## Services Framework

### Regional business investment

The Department's suite of business investment programs aims to secure new investment by businesses contemplating establishing or expanding their operations in regional New South Wales. It aims to harness credible business opportunities and develop solutions to overcome investment impediments, with an emphasis on non-financial solutions. To achieve this, the Department's regional development staff gather information and facilitate the delivery of services with other government agencies and local service providers to help businesses save time and money.

Specific assistance under the regional business investment initiatives program includes assisting with site identification and selection, negotiating with infrastructure and finance providers and liaising with training providers. In some cases, modest funding is provided as part of a total package of assistance for a business project based on the value of the new investment and jobs generated.

The business investment program suite offered by the Department is designed to encourage regional growth by attracting firms to establish or expand their operations and is made up of:

- › the *Regional Business Development Scheme*
- › the region specific *Hunter Advantage Fund*, designed to attract new investment and jobs to the Lower Hunter region including the Newcastle, Lake Macquarie, Port Stephens, Maitland and Cessnock local government areas
- › the region specific *Illawarra Advantage Fund* for eligible businesses considering establishing or expanding in the Illawarra region
- › the *Payroll Tax Incentive Scheme*, aimed at bolstering business growth in areas with unemployment levels above the State's average.

### Industry restructuring

These initiatives are designed to help regional communities and industries

respond to economic structural adjustment pressures. The *Regional Economic Transition Scheme* assists the development of more diverse economies and attraction of new investment and jobs. The *Business Drought Assistance Program* provides payroll tax relief for regional firms to help them retain skilled workers for the duration of the drought.

Assistance is also provided to small and medium-sized enterprises affected by the drought so they can implement business improvement or recovery strategies or diversify their operations.

### Business growth

The Department's business growth initiatives aim to enhance the competitiveness and growth of regional enterprises. These include:

- › the *New Market Expansion Program*, which is aimed at companies pursuing new markets by providing assistance for targeted marketing of new opportunities
- › the *Travelling Experts Program* of seminars designed to provide businesses with access to expert speakers on current business issues.

### Regional and community economic development

The Department's regional and community economic development initiatives provide an important base for leveraging business opportunities by engaging with key partners in regional communities.

The Department works in partnership with local government, business organisations, industry groups and regional development organisations to help regional communities build their capacity to harness business opportunities and be better placed to respond to business needs.

Regional and community economic development initiatives include:

- › the *Community Economic Development Program* (formerly known as *Main Street / Small Towns and Towns and Villages Futures*) and *Developing Regional Resources Program* designed to strengthen regional economies

- › the *Regional Development Board Innovation Program*, which assists a network of 13 Regional Development Boards to pursue economic development opportunities in their regions
- › the NSW Regional Development Advisory Council, which consists of the chairs of the State's 13 Regional Development Boards. The council provides advice to the Minister for Regional Development on regional development issues in New South Wales.

## Strategic Operating Environment

As part of its responsibility through Priority 6 of the *State Plan*, the Department's objective is to increase business investment in rural and regional New South Wales, where economic conditions are varied.

Regional areas are particularly vulnerable to the national phenomenon of skill shortages. Demographic issues, in particular ageing populations (with skilled people retiring from the workforce and young people leaving the community), create a general labour shortage which compounds the skills shortage. Limited mobility of labour is a further constraint given the geographic spread of regional New South Wales. Anecdotal advice from regional businesses also suggests that they are disproportionately affected by the attraction of staff to high wage industries such as mining. However, for many regions such as the Lower Hunter and the New England-North West, the current growth in mining is providing a major economic boost.

In some parts of the State, slow recovery from drought continues to create challenges for regional communities in retaining businesses and skilled employees. The availability of water and its efficient use by businesses is becoming an important factor for regional industries contemplating growth, as is road, rail and other infrastructure.

Ongoing industry restructuring also poses economic challenges for regional communities dependent on a single major industry. If the impacts of climate change become long-term, there will be an increased

need to assist businesses and communities through structural adjustment, by helping them develop new opportunities and markets and promote industry diversification.

## Major Achievements

### Facilitate business investment

The Department secured 297 investment projects in regional New South Wales, representing a capital investment of \$791.52 million and the creation and retention of 5,281 jobs. Examples of projects secured included:

- › establishment by Benex Technologies Pty Ltd of a concrete block manufacturing plant at Kelso in the Central West. The plant brings an investment of almost \$7 million and 37 new jobs to the region
- › establishment of a third-party warehousing and distribution service in Albury by Joss Operations, bringing \$10.5 million of new investment and 41 new jobs. The warehouse will specialise in storage and handling of perishables, wine and container deconsolidation
- › expansion of David Brown Gear Industries Ltd in Bulli in the Illawarra region, creating 10 new jobs and new investment of almost \$800,000. The installation of a full load-test facility will enhance the competitive position of this recognised world leader in the manufacture of industrial power transmission products.

### Increase business competitiveness

Ninety-five regional firms were assisted to pursue new markets through the *New Market Expansion Program*, including eight firms who participated in the Organics Expo in Melbourne in September 2007. The firms made initial sales of more than \$520,000.

One hundred and fifty-five business workshops were conducted in regional New South Wales attended by 3,760 people, including 62 *Travelling Experts* workshops attended by 1,408 people. Topics included lean manufacturing, becoming an employer of choice and workforce development. In addition, two toolkits were published (one for businesses and one for communities) on practical strategies for addressing the skills shortage issue.

The Department assisted 45 regionally based industry clusters with 1,102 members to foster and promote further industry-specific development in regional New South Wales. Clusters have been developed across industries including manufacturing, food and wine production, film and tourism-related industries. Industry support was provided through a combination of facilitation and financial assistance under the Department's regional programs.

The Department partnered with Westpac to conduct the *Beyond Survival* series of workshops in Taree, Cobar, Coonamble, Cootamundra and Wagga Wagga. The workshops aimed to help non-farm business owners overcome the impact of drought through careful planning

Regional development workshops held



and effective financial decision-making. The workshops explored financial principles that affect businesses, worked through real business case studies and offered relevant financial management tools. Sixty-three businesses participated in the workshops.

### Develop an attractive business environment

Through the State Plan's Economic Development Cluster, the Department coordinated the development of 12 Regional Business Growth Plans, which provide a blueprint for collaboration between NSW government agencies and with local governments, Regional Development Boards, and other business stakeholders to achieve sustainable economic growth, local employment and skills training.

Under the *Community Economic Development Program* 50 communities were assisted with project funding. Sixty-one projects were completed which leveraged \$6.45 million in funds and created 49 jobs.

Examples of projects included:

- › the 2008 *Mulga Bill Festival*, which is Yeoval's main community event. It celebrates the town's most famous resident, Banjo Paterson, and features activities including shearing competitions, an art show and street theatre with stalls. The festival culminates with a Family Bike Ride from Cumnock to Yeoval
- › a township marketing plan for Ettalong Beach to provide a pathway for local retailers to improve their business practices. The plan will also identify specific projects that can be implemented to increase business confidence and encourage business development and increased tourism.

Forty-eight workshops were conducted for regional communities and attended by 1,694 people. Topics included business and town marketing, strategic planning and tourism development.

The *Community Economic Development Conference* was held in Moama in May 2008 to share knowledge and explore the latest developments in promoting

sustainable economic growth in regional communities. The conference was attended by a record 269 people.

During the year a total of 63 projects were assisted to investigate economic development and growth opportunities in regional New South Wales under the *Developing Regional Resources Program*. Projects included:

- › the Arts Mid North Coast research project to help identify the scope and characteristics of creative industries businesses within the Mid North Coast region and to develop recommendations for the growth and development of the industry
- › the BackTrack (Armidale Family Support Service) project to facilitate the employment of youth in the New England North West region through a staged program involving vocational study, mentoring and assistance with job placements.

The 13 Regional Development Boards, listed below, provide a strategic framework for economic growth and play a critical role in local collaborative efforts to attract business investment that will deliver sustainable long-term employment and regional prosperity.

	Regional Development Boards	Websites
1	Business Central Coast	<a href="http://www.businesscc.com.au">www.businesscc.com.au</a>
2	Capital Region Development Board (joint initiative of the NSW and ACT Governments)	<a href="http://www.capitalregion.org.au">www.capitalregion.org.au</a>
3	Central Western Regional Development Board	<a href="http://www.centralwest.com">www.centralwest.com</a>
4	Far Western Regional Development Board	<a href="http://www.farwesterndevelopment.com.au">www.farwesterndevelopment.com.au</a>
5	Gowest Regional Development Board	<a href="http://www.gowest.org.com.au">www.gowest.org.com.au</a>
6	Hunter Economic Development Corporation	<a href="http://www.hunterregion.com">www.hunterregion.com</a>
7	Illawarra Regional Development Board	<a href="http://www.irdb.com.au">www.irdb.com.au</a>
8	Mid North Coast Regional Development Board	<a href="http://www.betterbusiness.nsw.gov.au">www.betterbusiness.nsw.gov.au</a>
9	Murray Regional Development Board	<a href="http://www.mrdb.nsw.gov.au">www.mrdb.nsw.gov.au</a>
10	Northern Inland Regional Development Board	<a href="http://www.nio.com.au">www.nio.com.au</a>
11	Northern Rivers Regional Development Board	<a href="http://www.investnorthernrivers.com.au">www.investnorthernrivers.com.au</a>
12	Riverina Regional Development Board	<a href="http://www.rrdb.com.au">www.rrdb.com.au</a>
13	Greater Western Sydney Economic Development Board	<a href="http://www.gws.org.au">www.gws.org.au</a>

Forty Regional Development Board projects were assisted to facilitate and foster economic development opportunities in regional New South Wales. Projects included:

- › the employment of an Asia business advisor to help facilitate investment from China and other Asian countries in the Illawarra region
- › the creation of mining, engineering, transport and logistics industry networks in the Orange and Parkes districts to help industry address skills and labour shortages.

In addition, the NSW Regional Development Advisory Council, which comprises the State's 13 Regional Development Boards, focussed on highlighting the staff retention and recruitment issues faced by regional businesses.

## Market the strengths of Sydney and New South Wales

The Department undertakes a range of activities to promote regional New South Wales as a viable destination for business and the skilled personnel required for their operation. Activities are focussed on attracting investors and skilled workers to regional areas, as well as business matching and market exposure for niche industries in regional areas.

In April 2008 the Department conducted the fifth *Building Regional Towns Tour* visit to Broken Hill and the Muswellbrook Shire. Both locations are experiencing significant economic growth. The tour showcased opportunities for investment in residential and commercial property to metropolitan-based investors and property developers. Eighteen investors and developers participated on the tour.

The inaugural *NSW Boutique Wine and Beer Tour* to the Hunter and Riverina regions was conducted in May 2008, linking wine industry buyers to local wine producers. Fourteen Sydney-based buyers and three regional buyers from the Hunter region met 39 wine producers and sampled more than 70 boutique wines and several boutique beers. The buyers included Sydney-based sommeliers, purchasing and beverage managers from major hotel chains, buyers from the retail sector and wine media.

The Department sponsored the *2007 Country Week Expo* in Sydney to promote the benefits of working and living in regional New South Wales. The expo attracted 9,000 attendees. A jobs board featured 400 current job vacancies in regional towns.

## Case Study

### AJ Lucas Group Limited

AJ Lucas Group Limited is an engineering and infrastructure contractor that specialises in the utilities sectors of gas, power, telecommunications and water and in the coal mining and coal bed methane sectors.

In 2007 AJ Lucas Group Limited decided to consolidate five of its plant yards from New South Wales and Queensland to improve the efficiency of its plant maintenance activity. The company also decided to relocate its contract drilling divisional management and engineering support from Ryde to a new location at North Wyong.

The Department assisted AJ Lucas Group Limited's expansion project through its business investment programs. The project will create 53 jobs and represents an investment in North Wyong by AJ Lucas Group Limited of \$6.8 million.

# Small Business Development

Supports the growth of the small business sector by reducing red tape, increasing growth and innovation and expanding sales into international markets

# Small Business Development

## Nature and Scope of Activities

Through the Small Business Development Division, the Department works to promote an innovative, profitable and competitive small business sector in New South Wales.

The focus is to assist small business firms at critical stages of their development to promote steady growth and support the special needs of particular categories of business operators, including Indigenous people, women, home-based operators and prospective exporters.

The Department's small business programs and services are specifically designed to assist the growth of small and medium-sized enterprises through the development of entrepreneurship, managerial and technical innovation and best practice. Educational and mentoring activities are targeted towards improvement in three key areas of business performance — sales, employment and exports.

In addition to its small business management and educational outreach function, the Department informs development of the State's small business policy by providing advice to the Minister for Small Business and Minister for Regulatory Reform, supporting the Small Business Development Corporation and driving the Small Business Regulation Review process.

## Services Framework

In total, 2,400 firms accessed program and development support from the Division in 2007–08.

### Small business: general information and assistance

A range of services and programs are offered to start-up, micro businesses and special-needs operators. These include provision of free general business information, access to a variety of useful business tools, guidance and other assistance services.

### Business services: specialised information and assistance

Whilst the small business programs support businesses with lower turnover, the more mature firms demonstrating high growth and export orientation are supported through a range of services developed by trade experts and targeted at building up their capacity. A core component of this assistance is a network of business development managers across New South Wales, delivering market development guidance, support and mentoring.

### Trade services

The trade services range of products provide export-ready NSW companies with effective ways of identifying new international markets by providing professional export development advice, up-to-date market intelligence and direct logistical and operational assistance.

## Strategic Operating Environment

The modern economic landscape is increasingly difficult for small businesses to navigate. The various challenges facing small business operators are presented by globalisation, rapidly changing technology, shifting demographics, unpredictable consumer behaviour and other competitive pressures. The specific issues currently affecting small business growth in New South Wales include skills shortages, increasing petrol prices and regulatory red tape.

New South Wales is a major business State, with around one-third of all Australian small businesses based here. These firms make up 96 per cent of all businesses in New South Wales and employ more than one million people. Regionally-based small businesses account for nearly 37 per cent of all the State's small businesses.

Small firms also make up the vast majority of exporting businesses in New South Wales. Accordingly, small businesses have a significant impact on the State's trade performance.

The Department's small business clients experienced overall export, sales and employment growth in 2007–08. The average number of client employees increased by 13.9 per cent during the year.

## Major Achievements

### Increase business competitiveness

#### Exporter development and advice

The *NSW Exporters Network* is an internet-based network for NSW exporters which facilitates business-to-business communication opportunities and builds awareness of exporting as a powerful growth strategy. During the reporting period the network consisted of an average of 800 registered members.

One of the benefits enjoyed by network members is invitations to export development seminars and workshops. These events were held at 103 locations and attended by 3,415 participants throughout 2007–08.

The Department, in collaboration with the Australian Institute of Export, continued to deliver the *Getting Started in Exports Guide and Workshops Program*. The program provides new and early-stage exporting businesses with the skills necessary to enter international markets. In 2007–08 it was delivered to 388 companies at 22 workshops.

The Department supported the *2007 Premier's Exporter of the Year Awards*. Of the 96 award applicants in 2007, 60 were clients of the Department through various export development programs.

For the last five years, New South Wales companies have gone on to win the National Exporter of the Year. One of the Department's former clients, Cochlear Ltd, was named the overall winner in 2007.

### New Export Opportunities Program

The *New Export Opportunities Program* assists small business operators in expanding existing export sales and penetrating new markets. This is achieved through providing support with developing new market entry strategies. Forty-nine firms were offered financial assistance of \$471,000 to support export preparation and development activities under this program in 2007–08.

### Trade Promotion Program

The *Trade Promotion Program* assists high-potential, export-oriented firms through trade missions and exhibitions to identify appropriate export markets, develop marketing strategies and skills, and expand and enter overseas markets.

The Department offered seven missions, including two general trade missions visiting Korea and the United Arab Emirates and five specialised trade missions. The specialised trade mission for building and construction went to India, environmental services and products to China, fashion and design to Japan, healthcare goods and services to the United Arab Emirates and financial services to the United States.

In selected international exhibitions, the Department organises exhibition space, which is made available to NSW companies to exhibit on a shared basis. In 2007–08 the Department held a stand at three international exhibitions: *CityScape 2007* in Dubai (architectural, design and planning services), *Singapore Airshow 2008* (aerospace products and services) and *Expomin 2008* in Chile (mining products and services).

Market visits are also organised for individual companies, allowing them to visit the market of their choice at the time of their choice. The *Independent Market Visit (IMV) Program* provides companies with the opportunity to independently exhibit or undertake a program of meetings. In 2007–08 the Department assisted 127 companies in this program.

In total, the Division worked with 191 NSW companies which participated in trade missions, exhibitions and IMV activities, visiting 31 international markets during 2007–08.

### Stepping-Up Program

The *Stepping-Up Program* provides access to group workshops and specialised mentoring for owners of established businesses. During the year a total of 175 individuals and organisations received financial assistance to participate in 15 programs. The feedback indicates that the program delivered valuable skills to young business people, equipping them with the knowledge and skills necessary to commercialise new

products and services. Established operators were also assisted in developing their international markets and financial and export proficiencies. The program targets innovative companies seeking specialist skills needed to promote their business growth including preparation for sourcing venture capital investment.

### BioBusiness Program

The program works to support commercialisation by providing assistance in closing the gap between basic research and development and getting product to market. The program consists of two major segments. The *High Growth BioBusiness Program* segment assists established companies while the *Non-Research Establishment Costs Program* helps start-up biotechnology businesses.

Forty-nine companies received a total of \$765,802 in funding. Assistance was provided towards intellectual property protection, commercialisation and export market development for biobusiness and medical device firms.

### Innovation Advisory Services

Innovation Advisory Services are designed to assist in the early-stage commercialisation of inventions and innovative products or processes. Innovation Advisory Services in Newcastle, Penrith, Parramatta, Sydney and Wollongong help inventors and small business innovators across the State to evaluate and commercialise their ideas, establish new businesses and increase investment.

In 2007–08 a total of 1,587 services were provided, including 44 low-cost technical and market assessments.

The online Innovation Advisory Service at [www.ausinvent.com](http://www.ausinvent.com) was also supported, attracting 41,916 user sessions, an increase of over 25 per cent compared to the previous year. The service provides self-assessment software, a virtual exhibition option, links, news and information on relevant events.

### Business and Innovation Clusters

The *Business and Innovation Clusters Program* supported eight industry clusters with more than 200 member

companies. The program assisted clusters in high-value manufacturing, tourism, biotechnology, wine and value-added services. Business feedback indicates that intensive cooperation between participating companies facilitated new business growth ideas and contributed to enhanced domestic and export sales opportunities.

The *Women in Manufacturing Network* cluster, which was launched in 2006–07 with the aim of facilitating learning and development for women owners and executives in manufacturing, led to nine major manufacturing companies from across New South Wales completing the *Advanced Stepping-Up Program* specialising in supply chain management and logistics in 2007–08.

The Department, in collaboration with the Australasian Production and Inventory Association, also offers an annual Women in Manufacturing Scholarship, which provides internationally recognised training in production and inventory control.

The Department also provides support to the Welding Technology Institute of Australia, the Australasian Production and Inventory Association, Lean Network and the Association for Manufacturing Excellence, enabling these bodies to promote leading-edge business systems and management practices to NSW small manufacturers and related businesses.

### Aboriginal business development

Under the *Budyari Ngalya First Peoples Partnerships Program*, the Department continued to actively work with the private sector to facilitate and secure sub-contracting work valued at around \$6 million for Aboriginal businesses in the mining services, construction, land remediation and aquaculture industries.

The NSW mining sector is in a growth phase, driving demand for skilled labour and support services. To assist Aboriginal businesses harness the opportunities presented by this sector, four specialised mining and construction business skills workshops were conducted. In addition, 19 basic business skills workshops were delivered to around 322 Aboriginal

business participants. The workshops focused on the industry sectors identified in the *Innovation Statement*.

A total of 226 Aboriginal firms accessed business services during the reporting period.

The Department supported 30 Aboriginal artists from across New South Wales in exhibiting their talent at Galerie Figure, Paris, France, and at the New South Wales Indigenous Contemporary Art Show. This international market promotion achieved \$123,500 in sales and two artists received private commissions for works valued at \$16,000.

Two *BizBus* tours took place in 2007–08. The *BizBus* tours provided an opportunity for Aboriginal youth to get a taste for running their own business by visiting existing successful enterprises.

## Develop an attractive business environment

### Small Business Regulation Review

The *Small Business Regulation Review* is part of the NSW Government's strategy to cut red tape. The objective is to reduce the administrative burden of regulatory compliance on small business by minimising unnecessary, duplicative, inconsistent or excessive regulation. The Department has responsibility for supporting a taskforce of high-level government and industry representatives chaired by the Director General.

A rolling program of targeted, sector-by-sector regulatory reviews has been undertaken from a small business perspective involving consultations with individual businesses and peak business groups. To date, the taskforce has completed reviews of four industry sectors:

- › motor vehicle retailing and services
- › accommodation, food and beverage services
- › manufacturing (fabricated metal products, machinery and equipment and furniture)
- › business and professional services.

Forty-one recommendations have been endorsed by the NSW Government. Implementation is already reducing the number of forms that motor dealers are required to

complete, improving food inspection processes and streamlining processes for obtaining a Place of Public Entertainment Licence and government procurement.

A review of the rental, hiring and real estate sector is progressing and sectors for future review are being investigated.

In order to encourage and maximise small business submissions to its review process, the Department developed a campaign called *Have Your Say on Red Tape* and advertised it through business clients, various industry bodies, publications and the internet.

On a national level, the Department actively worked with federal, state and territory agencies on a number of red tape reduction strategies. One recommendation to be implemented is establishment of a one-stop online facility to enable businesses to make a single application and payment for a national business name and ABN. The project will potentially to deliver \$1 billion in benefits to Australian business over 10 years.

### Western Sydney Business Centre

The Western Sydney Business Centre provides business development programs and support to assist business growth in the Greater Western Sydney region including the provision of business seminars and workshops. In 2007–08 more than 3,000 people attended the 80 *Business Growth* workshops organised by the Department.

The Western Sydney Business Centre has continued to showcase manufacturing in Western Sydney. In partnership with the Greater Western Sydney Economic Development Board, the fifth *Western Sydney Manufacturing Week* was held from 12–16 May 2008. The week attracted a record 1,059 attendees who participated in 14 events and six site visits.

Another function of the centre is building relationships with local government and business organisations to assist the economic development capacity of Western Sydney.

A significant program of support and advice continues to be given

to Western Sydney local councils, including assisting with the attraction of inward bound investment, partnering in business awards and working on sustainability projects.

The Greater Western Sydney Economic Development Board, funded by the Department and based in the centre, launched the first of its regional industry profiles — *Manufacturing in Western Sydney* — and continued to be involved in the skills development area by chairing the information communication technology, logistics and advanced manufacturing industry task forces.

### Small Business September 2007

During *Small Business September 2007*, the Department and over 115 partner organisations and sponsors hosted 358 events attended by more than 52,000 people across the State. The attendee satisfaction rating registered in excess of 95 per cent. *Small Business September 2007* offered seminars, workshops, conferences, training programs and expos, which provided practical information, guidance and tools for small business owners designed to improve their operations and access to new markets. More than half of all events were delivered in regional New South Wales.

### Business Advisory Services (BAS)

Business start-ups are well catered for with free business information available at 35 full-time and 18 part-time BAS locations across metropolitan and regional New South Wales.

The BAS program is designed to help start-up and micro businesses plan their growth and development. During 2007–08 the program provided a total of 277,987 information and business services to clients. More than 500 small business workshops were conducted, attracting 6,506 participants. The independent survey showed high levels of client satisfaction across the State.

### Women in Business

The *Women in Business Program* provides information and support to emerging women business owners. Three mentoring programs with 61 mentorees were hosted in

metropolitan areas and over 100 participants attended four regional events. Feedback from participants indicated that around 50 per cent of all participants experienced increased business turnover and 20 per cent increased staff numbers as a direct result of the program.

This year the Department also held an e-mentoring program offering business operators in regional locations access to assistance not generally available in remote areas.

#### Home-Based Business Program

There are around a quarter of a million home-based businesses in New South Wales. This market segment is supported through the Department's range of innovative initiatives under the *Home-Based Business Program* with 2,299 operators accessing the program in 2007–08.

The highlight of the year was *Home-Based Business Week* held from 19–23 May. The week consisted of 37 (10 metropolitan and 27 regional) events throughout the State, with over 1,600 participants attending.

#### Smallbiz website

The Department's small business website [www.smallbiz.nsw.gov.au](http://www.smallbiz.nsw.gov.au) continued to be a useful business resource, providing a range of information, business tools and guidance to small businesses at different stages of their life cycle. In 2007–08 the website received more than 1.1 million unique visitors representing a continuing and increasing interest in accessing business information through this communication channel.

#### Small Business Development Corporation (SBDC)

The Small Business Development Corporation is a small business policy advisory body appointed by and reporting to the Minister for Small Business. The SBDC's primary role is to ensure that small business needs are accounted for in the development of NSW government policy. The SBDC's other functions include small business education, research, special issues investigation and preparation of submissions to federal and state agencies addressing small business concerns.

In 2007–08 the SBDC actively participated in a number of government initiatives including the development of new retail tenancy policy in NSW and the Australian Securities and Investments Commission's research into small business banking, liquor licensing, skills shortages, franchising, trade practices and employment practices. See Appendix 3 for membership details on the SBDC.

Unique visitors to small business website



## Case Study

### Sanders Retail

Sanders Retail was established in Sydney in 1991 by Mr Paul Saunders, the company's CEO and Creative Director, and has since pursued export opportunities through joint venture partnerships in Dubai, United Arab Emirates.

The Department supported the business in the *Independent Market Visit Program* to exhibit at the world's largest architectural and property development show, *Cityscape Abu Dhabi*, in May 2008. As a direct result,

Sanders Retail secured the interest of several prominent retail developers in the region.

In addition, the company achieved immediate sales of \$1.2 million for their innovative store design and branded concepts for two significant shopping mall developments in Abu Dhabi and Saudi Arabia. Sanders Retail also secured a further \$2 million in commitments over the coming 12 months.

The company is currently planning their return to the market for a number of follow-up activities, including several new developments they have been invited to consider as a result of their visit to Abu Dhabi.

The export assistance from the Department has enabled the business to more effectively utilise future export opportunities to succeed in this highly competitive market.

# Tourism New South Wales

Works with commercial partners, the tourism industry and government agencies to increase visitors' activity, visitor nights and length of stay, providing opportunities for an increase in jobs and tourism expenditure

# Tourism New South Wales

## Nature and Scope of Activities

The Department, through Tourism NSW, undertakes strategic activities to market the strengths of Sydney and New South Wales by promoting the State as a desirable holiday destination. This includes building and converting awareness of New South Wales as a visitor destination in Australia and in overseas target markets. The Division shares knowledge and expertise to improve industry effectiveness and stimulate investment in quality tourism infrastructure.

## Services Framework

Tourism NSW consults with industry and works in partnership with both the public and private sector to grow and manage tourism and industry development. The Division is responsible for the following key strategic programs:

- › the *Domestic Tourism Marketing and Communications* program promotes Sydney and New South Wales to intrastate and interstate target markets. A range of marketing initiatives to build destination appeal are undertaken across different media applications. Activities include TV, print and online advertising, hosting visiting media and destination publicity activities, as well as digital marketing ([www.visitnsw.com](http://www.visitnsw.com) and [www.sydney.com](http://www.sydney.com)) linked to marketing campaign activities. The *Regional Flagship Events Program* supports events with tourism potential in regional New South Wales
- › the *International Tourism Marketing and Communications* program promotes Sydney and regional New South Wales to overseas target markets. Initiatives include consumer communications, hosting visiting media to generate destination coverage and digital marketing. Communications activities are underpinned by strong public relations campaigns through mainstream and travel industry media to generate positive media coverage for Sydney and New South Wales. The program also involves conducting extensive activities with the travel trade, including education and familiarisations to inform

wholesalers, retailers and travel agents about the experiences and products on offer in the State. The Division ensures a NSW presence at major travel trade events around the world in partnership with Tourism Australia. Trade missions are conducted to facilitate opportunities for NSW tourism product suppliers to make commercial arrangements with international travel distributors in the market and via the Australian Tourism Exchange

- › the *Strategy and Insights* program provides strategy and planning advice to industry and the NSW Government on tourism issues. This includes extensive research and insights into the tourism industry. The program also builds partnerships with industry associations and government agencies for the development of sustainable destinations
- › the *Industry and Destination Services* program provides expert advice for organisations responsible for products and destinations on the domestic and international markets. It undertakes product research and content development to support marketing programs and market development for touring, Indigenous tourism, food and wine, nature, luxury and backpacking
- › the *Visitor Services program* includes the administration of the Visitor Information Centre quality assurance program, state

tourism attraction signage, in partnership with the Roads and Traffic Authority of NSW, and oversight of the outsourced NSW Holidays operations.

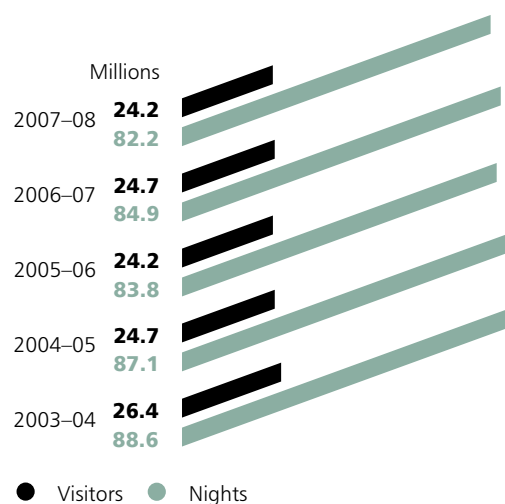
## Strategic Operating Environment

Visitors from within Australia account for around 90 per cent of overnight visitors, with the majority from within New South Wales. The remaining visitors come from international markets. Although New South Wales receives more domestic visitors than any other State, since 2002 there has been a decline in domestic visitor numbers and visitor nights and the industry is increasingly relying on international visitors. In 2007–08 forty-one per cent of visitor nights spent in New South Wales came from the international visitor market, an increase of 11 percentage points from 30 per cent in 1999–00.

## Domestic market

While the number of day-trip visitors has been increasing over the last few years, the number of domestic visitors who stay overnight has been declining. This is explained by the decline of NSW tourism expenditure against other calls on household income. Factors behind this trend include the growing level of private household debt, a strong Australian dollar, high petrol and transport prices and competition from other holiday and travel destinations, both within Australia and overseas.

Domestic visitors and nights



Domestic tourism figures for the year ending 30 June 2008 show that New South Wales received more domestic visitors who stayed overnight than any other state, with 24.2 million domestic overnight visitors, although this figure is less than the previous year.

#### International markets

Most of the recent growth experienced in tourism in New South Wales has been driven from international source markets.

In the year ended 30 June 2008 New South Wales received more international visitors than any other state. There were 2.8 million international visitors to New South Wales, a share of 54 per cent of visitors to Australia. International visitors spent 56.9 million nights in New South Wales, a share of 35 per cent of total nights in Australia.

The top five geographic source markets in terms of visitor numbers remain the traditional, English-speaking markets of the United Kingdom (14 per cent), New Zealand (13 per cent) and the United States (10 per cent), plus China and Japan. In the last couple of years Japan has slipped to fifth place behind China (9 per cent).

According to the Tourism Forecasting Council (Forecast, August 2008), international visitors to Australia are expected to increase at a compound annual rate of 4.4 per cent over the period 2007 to 2017 to reach 8.7 million in 2017. Over the same period, domestic tourism trips are forecast to grow at an annual average rate of 1.4 per cent.

In terms of the future operating environment, there are a number of challenges which will impact on travel and tourism expenditure in New South Wales. Issues include the rising cost of fuel and energy and the pressure on households from increased interest rates, which all impact on the discretionary income available for holiday travel. Other issues include the value of the Australian dollar as well as skills shortages impacting on the industry.

Industry and consumer marketing has also changed in recent years. There has been a rapid increase in the use of the internet, with almost three quarters of the Australian population having access at work or home. Globally the greater use of the internet has encouraged a higher incidence of online travel research and bookings, which affects the way tourism needs to be marketed. Tourism NSW has adjusted its marketing programs accordingly.

## Major Achievements

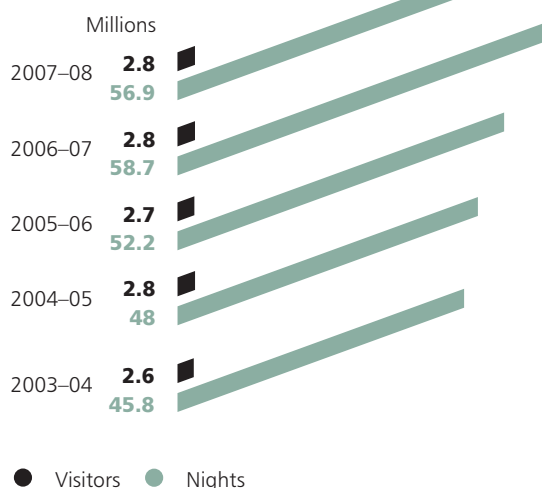
### Market the strengths of Sydney and New South Wales

Through marketing and communication activities, Tourism NSW works to increase the demand for NSW tourism experiences, which in turn drives business, investment and jobs growth. The Division continues to invest in digital communications activities to enhance its presence online with its consumer websites, [www.visitnsw.com](http://www.visitnsw.com) and [www.sydney.com](http://www.sydney.com).

In 2007–08 Tourism NSW attracted 2.8 million visitors to its consumer websites, exceeding the 2 million visitor target. Traffic to the websites generated more than 395,000 leads to tourism products, representing an increase of 130 per cent over the target for 2007–08.

The extent of the Division's marketing activities is increased by leveraging partnerships with industry operators and commercial alliances. In 2007–08 Tourism NSW continued strategic alliances with News Limited and the Seven Group. These alliances contributed to the promotion of a range of holiday experiences in New South Wales to domestic holiday makers, with a campaign that delivered a total media value of \$20 million. Over \$13 million of this was delivered through the alliance with News Ltd and the Seven Network. As a result, more than 14 million Australians were reached through News Limited's publications and 9.6 million through Channel Seven's television network during the campaign.

#### International visitors and nights



### Domestic tourism marketing and communications

In 2007–08 television advertising promoting holidays in New South Wales reached more than 9.6 million people, on average more than 21 times. This represents a slight increase over 2006–07. Magazine and newspaper advertising reached more than 15 million people, on average 23 times, compared to 14.6 million the previous year.

Tourism NSW worked with 168 tourism industry partners on marketing and promotional activities throughout 2007–08. In addition, the Division developed and secured non-traditional marketing partnerships to leverage destination marketing and promotional activities with the following partners:

- › the Wiggles
- › Subaru
- › MBF
- › McDonald's
- › Roads and Traffic Authority of NSW.

Tourism NSW conducted 40 advertising campaigns for Sydney and regional New South Wales, with more than 100 partners contributing \$6.5 million in cooperative investment.

An example is the APEC Bonus Long Weekend Getaway Campaign (7–9 September 2007) for the APEC Summit public holiday weekend, which encouraged Sydneysiders to spend up to \$15 million in regional New South Wales. In July 2008 this campaign won a Pacific Asia Travel Association (PATA) Gold Award in the Secondary Government Destination Marketing category.

Other activities included a presence at the Caravan and Camping shows in Melbourne, New South Wales and Queensland, the creation and distribution of a range of Sydney and regional NSW arts, culture and event listings and food and wine features for the Australian travel and lifestyle media.

### Marketing regional New South Wales

Tourism NSW marketing activity focused on promoting destinations within the seven key zones, these were:

- › North Coast
- › South Coast
- › Outback NSW
- › Heart of Country
- › Lord Howe Island
- › Snowy Mountains
- › Sydney's Surrounds.

Integrated marketing campaigns, including television, print and public relations, were developed for regional New South Wales, as well as initiatives that increased focused on online marketing. These included brand and tactical initiatives, with partners contributing to components of the campaign.

Public relations activity for regional New South Wales campaigns included 10 group media visits across New South Wales attended by 42 journalists and more than 250 individual media visits resulting in more than 1,200 destination stories promoted on television, newspapers, magazines and websites.

Tourism NSW received a gold award in the Public Relations category of the 2007 Pacific Asia Travel Association (PATA) Gold Awards for the Lord Howe Island Spring 2006 campaign. The campaign was developed to raise the island's profile among specific target audiences and encourage demand for the spring 2006 travel period. At the conclusion of the campaign, almost double the campaign target of passenger numbers had visited the island and the value of the publicity generated for Lord Howe Island reached more than \$2 million.

### Marketing Sydney

Advertising campaigns for Sydney highlighted the events, festivals and activities that were held in the city during autumn, winter and summer 2007–08.

The campaigns featured innovative partnerships, including the launch of a \$1.3 million *City of Celebrations* campaign from September 2007 to March 2008 to promote Sydney to domestic visitors, as part of its branding program. A total of 50 industry partners invested in this campaign, together with a number of Sydney celebrities from the arts, theatre, food and fashion industries. This was followed by a \$1.2 million domestic marketing campaign in April 2008 designed to showcase Sydney's calendar of events in dining, fashion and the visual arts. This Tourism NSW-led campaign was supported by more than 45 industry partners. These partnerships resulted in more than \$1.5 million in cooperative investment, representing more than double the anticipated cooperative revenue budget.

A total of 980,500 unique users visited the consumer website [www.sydney.com](http://www.sydney.com), representing a 210 per cent increase on the previous year. Traffic to the website generated more than 105,000 leads directly to Sydney tourism partners, a 100 per cent increase.

The seasonal platforms also allowed Tourism NSW to capitalise on Sydney's year-round major events program, constantly refreshing potential travellers' ideas of the city, and enticing new and repeat visitors.

Public relations activity for Sydney campaigns included 90 media visits, generating more than 850 destination stories on television, newspapers, magazines and websites.

In April 2008 Tourism NSW coordinated a workshop for 30 Sydney precinct managers to present the results of research on awareness and interest in visiting Sydney's tourism precincts among domestic markets. The Sydney precincts research was undertaken to investigate awareness and perceptions of 27 precincts / regions.

### International tourism marketing and communications

Tourism NSW promotes Sydney and New South Wales across 13 key international markets and has offices in the following locations:

- › Auckland
- › London, covering Europe
- › Los Angeles
- › Tokyo
- › Singapore, covering South Asia
- › Hong Kong, covering North Asia.

Tourism NSW focuses on strongly representing the State in the marketing activities of Tourism Australia, educating overseas travel wholesalers and retail travel agents about the State's tourism products and experiences and developing and brokering partnerships with the tourism industry in each market.

### Marketing Sydney overseas

In 2007–08 there were 12 *NSW Missions to Market*. Through a range of activities, they enabled more than 75 industry participants to establish relationships with major travel distribution partners in emerging international markets. Tourism NSW was represented at more than 40 international trade and consumer shows to promote the distribution of NSW tourism products in key overseas markets. This is an increase over 2006–07, when the Division led seven *NSW Missions to Market* with a total of 56 industry participants.

A wide range of tactical promotions in target markets occurred throughout the year. An example is the \$570,000 *Summer in Sydney* print, radio and online marketing campaign held as part of the Sydney Festival promotion in the United Kingdom. The campaign ran from September 2007 to January 2008 to attract visitors from the United Kingdom and Ireland, New South Wales' largest international source markets. The campaign included a 44-page guide distributed to 330,000 households through a partnership with *The Times* newspaper.

Tourism NSW co-sponsored the Australian Tourism Export Council's symposium held in the Hunter region. The event provided an opportunity to showcase new tourism developments in the region to international travel

distributors whilst enabling local operators to gain feedback on the needs and expectations of international visitors.

Comprehensive multilingual consumer websites were developed and launched in seven languages, including traditional and simplified Chinese, Japanese, Korean, Italian, French and German. Tourism NSW websites now cater for 15 international markets.

Tourism NSW also participated in strategic trade events and consumer holiday shows and expos in Australia, Asia, Europe and the United States. Events included the following:

- › *Australian Tourism Exchange* in Perth
- › *G'Day USA*
- › *Pacific Asia Travel Association Travel Mart* in Malaysia
- › *Arabian Travel Mart* in the Gulf countries
- › *OzTalk* in New Zealand.

The *Focus on India* program was held in August 2007 to harness demand from this growing market. The program included hosting some of the top Indian travel distributors to take part in familiarisation tours of Sydney. It also comprised workshops with 80 NSW tourism businesses where experts provided advice on working with the Indian market and one-on-one business meetings. The visit coincided with the red carpet preview of the Bollywood film *Heyy Babyy*, a production assisted by the Department.

Throughout 2007–08 Tourism NSW provided input and guidance to the World Youth Day Coordination Authority for *World Youth Day 2008*. This event provided an excellent opportunity to showcase Sydney and New South Wales to an international audience.

### Supporting the NSW tourism industry

#### Strategy and insights

Tourism NSW' weekly newsletter, *Insights*, is distributed electronically to more than 4,200 registered contacts, keeping the NSW tourism industry informed about NSW government tourism support and the upcoming opportunities for industry operators.

Tourism NSW completed and launched a refreshed corporate website and a new online image library with improved design, content and useability. The redesigned site provides the tourism industry with the latest state industry news and tools to help operators grow their business. It features images, research data and the latest information on partnership programs for domestic and international markets. The image library provides more than 9,000 photographic images that can be searched and downloaded by media and tourism stakeholders.

More than 150 research fact sheets were produced covering state tourism campaign zones and regional snapshots. These snapshots provide a profile of domestic overnight visitors, domestic day visitors and international visitors for each tourism region and for the State.

Tourism NSW chairs the *Tourism Industry Forum*, which promotes collaboration and communication between industry associations, relevant government stakeholders and Tourism NSW. The forum, which comprises 48 associations and government bodies with a tourism focus, addresses industry issues and opportunities and meets every two months.

The *Annual NSW Tourism Awards* are undertaken in conjunction with the Tourism Industry Council NSW and are a submission and inspection-based competition for tourism businesses and industry suppliers. The awards acknowledge tourism businesses that have demonstrated outstanding achievement and success throughout the year. In 2007 there was an increase in entries to 204, compared to 168 the previous year, and 32 winners, along with nine Awards of Distinction and seven Encouragement Awards. Around 750 industry representatives attended the awards dinner and presentation evening.

During the year Tourism NSW identified strategic opportunities for New South Wales in the areas of surfing, culture and golf. Tourism NSW continued to implement strategic plans for nature tourism, cruising, aviation, Aboriginal culture and Sydney tourism precincts.

Work also continued in the areas of industry standards and accreditation, sustainable business practices and climate change impacts and investment opportunities in tourism ventures.

In August 2007 following a jointly sponsored research project conducted by the University of Technology Sydney, Tourism NSW developed a prototype for an accessibility website ([www.sydneyforall.com](http://www.sydneyforall.com)) aimed at assisting people with access needs to find suitable destination experiences around Sydney. The prototype was designed to meet international W3C Web Accessibility Standards and will be user tested in the first half of 2008–09.

#### Industry and destination services

*Destination Development* workshops bring together Tourism NSW representatives, regional tourism organisations and local tourism operators to discuss ways to increase the visitor appeal of their destinations. Workshops help operators identify key experiences and attractions that potential visitors expect to find at each destination and then match consumer needs. Workshops in 2007 were conducted in Bathurst, Parkes, Dubbo and Gilgandra and were run in partnership with the Central NSW Regional Tourism Organisation. With guidance from Tourism NSW, participants developed shared action plans for tourism marketing and

development and received the *StartSmart* guide, which helps businesses and local government understand tourism operations.

Regional Tourism Organisations (RTOs) are independent, incorporated organisations which have been established to provide effective regional coordination and administration of the tourism industry. Under the *Regional Tourism Investment Program Agreement* administered by Tourism NSW, RTOs undertake to market their nominated region of New South Wales and foster development to benefit their members, the industry and the wider community. There are currently 13 RTOs in NSW as listed below:

	Regional Tourism Organisations
1	Blue Mountains Regional Tourism Organisation
2	Capital Country Regional Tourism Organisation
3	Central Coast Regional Tourism Organisation
4	Central NSW Regional Tourism Organisation
5	Hunter Regional Tourism Organisation
6	Lord Howe Island Regional Tourism Organisation
7	New England North West Regional Tourism Organisation
8	Mid North Coast Regional Tourism Organisation
9	Northern Rivers Regional Tourism Organisation
10	Outback NSW Regional Tourism Organisation
11	Riverina Regional Tourism Organisation
12	Snowy Regional Tourism Organisation
13	South Coast Regional Tourism Organisation

The annual Local Government and Shires Association Tourism Conference sponsored by Tourism NSW took place in Lismore in March 2008. More than 200 participants took part and 30 industry experts and practitioners presented to the conference on the central theme of 'Partnerships in Tourism'. While convening a session, Tourism NSW encouraged local government to access the expertise and market intelligence of the organisation in order to develop and promote their destinations.

#### Visitor services

Tourism NSW continued to manage the *Visitor Information Centre Network Accreditation Program* across

the State. The network consists of 172 accredited centres in New South Wales and is marketed through a range of initiatives aimed to raise consumer awareness of the italicised yellow 'i' on a blue background, with the slogan of 'i ... will take you there'.

Recently the tourism industry has witnessed a dramatic increase in online travel research and bookings. Tourism NSW therefore provides a vast amount of information through the [www.visitnsw.com](http://www.visitnsw.com) website. With visitors able to access tourist information at visitor centres in The Rocks and Darling Harbour run by the Sydney Harbour Foreshore Authority, this year saw the transfer of visitor kiosks located in the city and the

related volunteer program to the City of Sydney. The visitor centre at Sydney Airport was closed on 19 May 2008.

2007–08 marked the end of the *Traineeship Program* conducted by Tourism NSW, which had provided work in visitor services and other areas in the Division for 21 trainees who combined this experience with study at TAFE NSW.

In a joint initiative with the NSW Roads and Traffic Authority, Tourism NSW released new signposting guidelines and simplified procedures which allow the NSW tourism industry to apply for the brown and white tourist signs on NSW roads.

## Case Study

### Hunter Region Disaster Relief Campaign (August–September 2007)

Following flooding in the Hunter during the Queen's birthday long weekend, the region was declared a natural disaster zone. To address the negative effect on consumer perceptions of the Hunter, Tourism NSW launched a \$600,000 disaster relief campaign, The Hunter Region Disaster Relief Campaign. This campaign, which was funded by state and federal governments, aimed to drive tourism visitation back to the area and declared that the Hunter Region was 'open for business'.

The Hunter Region Disaster Relief Campaign promoted five Hunter destinations, the Hunter Valley, Newcastle, Barrington Tops, Lake Macquarie and the Upper Hunter. Tourism NSW worked with the Hunter Regional Tourism Organisation to implement the campaign. The campaign ran for five weeks from 19 August 2007 and consisted of TV, print, magazine and online advertising targeting the Sydney and regional New South Wales' source markets.

Post-campaign results indicated that there was an increase of 14.1 per cent in occupancy in the Hunter Valley during September and an increase of 12.5 per cent in October compared to the same periods in 2006.

Communications, Innovation,  
International Business Relations,  
Retail Tenancy

# Communications

## Nature and Scope of Activities

The Communications Unit is the Department's marketing and communications centre. The Unit is responsible for developing and implementing corporate marketing and media strategies to promote the business strengths of Sydney and New South Wales, within Australia and internationally, and for supporting departmental operations.

The Unit provides strategic advice and assistance to all divisions on media, marketing, advertising, events and sponsorships. It works closely with the Tourism NSW marketing and communications team to leverage and promote key international events. The Unit prepares media releases, speeches, website materials and writes or edits all publications. In addition, it develops communication strategies including public relations, advertising and online marketing. The team manages the content and presentation of the main business and [www.sydneyaustralia.com](http://www.sydneyaustralia.com) websites, ensures brand consistency and manages production of marketing collateral on behalf of the Department.

The Unit also manages the NSW Trade and Investment Centre and Country Embassy, the NSW Government's principal business function centre.

## Major Achievements

### Market the strengths of Sydney and New South Wales

The Unit coordinated a range of international activities to promote Sydney and New South Wales internationally.

The Minister for Science and Medical Research, Verity Firth, led a 100-strong NSW delegation to the world's biggest biotechnology conference, *BIO 2008*, in San Diego from 17–19 June. The conference was a vital opportunity for the NSW life science industry to generate international business and for the

NSW Government to sell the State's strengths as the foremost Asia Pacific business, investment and research location. A public relations program yielded extensive media coverage on the State's strengths in the life sciences and NSW companies Fermiscan, Seagull Technology, Special Phage Holdings and Novotech.

The Unit, in conjunction with Tourism NSW, supported the NSW Premier led missions to China and India, and devised and produced a range of branding collateral and managed an extensive public relations program, including targeted news releases, resulting in solid media coverage. The [www.sydneyaustralia.com](http://www.sydneyaustralia.com) website was updated and launched as the key online information resource for those wanting to invest, live, study or visit Sydney.

Another key international event was Australia Week, or *G'Day USA*, involving key events promoting Sydney. The Department promoted Sydney as part of its branding program and a series of Sydney Ambassadors were announced.

Sydney was again voted the 'number one city brand in the world' in the annual *Anholt City Brands Index*. The city was ranked ahead of London, Paris, Rome and New York and ranked top in the categories for beauty, climate and friendliness. To leverage the announcement, the communications team managed a media campaign and promoted the award online through website clips and direct email to key international clients.

A key international event that placed Sydney at the centre of the world stage was the APEC meeting, held in September 2007. APEC attracted a large number of high-level international visitors from 21 countries — Sydney was promoted through events, marketing collateral and media liaison activities.

The Unit also developed an information campaign to publicise the NSW Government's two per cent mandate on ethanol which came into effect on 1 October, 2007 on behalf of the Office of Biofuels, which is

located in the Department. The campaign included advertising in major newspapers in metropolitan locations to promote the availability of ethanol during October and November 2007. Brochures were also produced and media releases prepared for metropolitan and regional media.

### Media

A media highlight was the announcement of V Australia's new operational headquarters in Sydney which will create 1,000 new jobs.

*NSW Wine Week* again received strong national and international coverage, as did the *Regional Food Tour* and the inaugural *Boutique Beer and Wine Tour*. The *Building Regional Towns Tour* also received good coverage in regional media.

Sydney's international reputation as a creative industries hub was highlighted with the announcement that Animal Logic — creators of *Happy Feet* — would produce a new film, *Guardians of Ga'Hoole*, and increase its digital workforce.

The Department strengthened its relationship with the Foreign Correspondents' Association and conducted a tour of regional New South Wales with five foreign journalists preparing a series of articles, including Chinese and German language articles, and French and Brazilian broadcast segments. Two foreign correspondents attended the *Community Economic Development Conference* in the Murray region town of Moama.

During the year the media unit prepared 640 media releases, 300 speeches and messages and managed 240 media inquiries. The total number of media releases was less than the previous year due to greater consolidation of stories and stronger links to key events and visits. There were, however, increases in media announcements associated with the Office for Science and Medical Research and international media announcements linked to the Premier's missions to India and China.

### Marketing

The Unit produced a large range of publications and promotional materials. The Department's *New South Wales Competitiveness Report 2008* was launched in May in both print and web format, with a mini Fast Facts brochure produced for international events. Another key initiative was the production of the Premier's mission directories containing information on Sydney and New South Wales, as well as delegate profiles. The directories were distributed at events in India and China.

The [www.business.nsw.gov.au](http://www.business.nsw.gov.au) website continued to improve, experiencing a 36 per cent increase in visits compared to the previous year. E-newsletters continue to be important in promoting the Department's activities and subscriptions remained strong. [www.sydneyaustralia.com](http://www.sydneyaustralia.com) was redeveloped as an international business gateway to the State and launched by the Premier to overseas markets.

### Trade and Investment Centre

The NSW Trade and Investment Centre had an extremely busy year, reflecting the popularity of the new premises on level 47 of the MLC Centre, as well as increased activity across the portfolio.

More than 600 additional events were held in 2007–08 compared to 2006–07, taking the total number of events to 2,738. The Centre also hosted an additional 4,000 visitors (37,332 compared with 33,502 in 2006–07). The Centre is now playing a major part in promoting NSW produce by featuring NSW Royal Easter Show award-winning food and wine in its menus.

Key events hosted during the year included the Foreign Correspondents' Association luncheon series, the sixth annual *Cool Climate Indulgence Dinner* featuring produce and wine from the Orange region and international delegations from China, Germany, the Czech Republic, Canada, the Philippines and Brazil. The Centre hosted 30 events during *Small Business September 2007* attended by 1,500 people.

## Innovation

### Nature and Scope of Activities

The Unit was established to serve as the secretariat to the Innovation Council and to coordinate the implementation of the *Innovation Statement*. The Director was appointed in November 2007 and a small team formed in early 2008.

As the secretariat for the Innovation Council, the Unit provides briefings, issues papers and reports for the council to consider and carries forward its recommendations to Government. Following its establishment in September 2007, four Innovation Council meetings were held in 2007–08.

The Innovation Unit works with other divisions to expand the Department's programs and policies to better reflect the NSW Government's innovation objectives and to provide improved support to enterprises operating in the five key innovation sectors identified in the *Innovation Statement*. The five key sectors are:

- › logistics
- › financial services
- › creative industries
- › manufacturing
- › resources (coal).

The Unit has also been working with other NSW government departments to implement and advance the NSW Government's Innovation Strategy, including the departments of Commerce, Environment and Climate Change, Education and Training, Premier and Cabinet, Primary Industries and Arts NSW.

## Major Achievements

### Increase business competitiveness

#### Logistics

The Department completed a key report into the NSW logistics sector, *Path to Innovation: Innovation in the NSW Freight Logistics Industry*. The council approved the following key recommendations:

- › development of a freight operators toolkit
- › modelling of supply chains to determine major costs and regulatory barriers to innovation
- › a review of regulations in the logistics industry that impede innovation.

### Low Carbon Innovation Project

A Low Carbon Innovation Project was initiated in partnership with the NSW Department of Environment and Climate Change. The project will investigate the drivers and impediments to the possible take-up of low carbon technologies and processes and identify government actions.

### Creative industries

New South Wales leads the nation in the creative industries with 39 per cent of the nation's creative businesses. An analysis of the economic fundamentals of the NSW creative industries was completed. The report builds an evidence base to assess the industry and its importance to the broader NSW economy. The report will be presented to the Innovation Council in early 2008–09 to drive support of the creative industries.

### Develop an attractive business environment

#### Broadband roll out

The Innovation Unit worked with the NSW Department of Commerce to prepare the NSW Government's position for the Commonwealth Government's roll out of high-speed, open-access broadband to 98 per cent of the national population. A submission has been made to the National Expert Panel.

### Market the strengths of Sydney and New South Wales

#### Financial services sector

In accordance with the commitment made in the *Innovation Statement*, options for establishing an Institute of Advanced Finance in Sydney are under consideration.

In May 2008 a report was commissioned from McKinsey & Co on ways to enhance Sydney's position as a financial services centre. The report will be presented to the Innovation Council during 2008–09.

The Department contributed to the preparation of the *Financial Services Hub Summit*, held jointly by the NSW and Commonwealth governments on 31 July 2008, to consider ways to promote Australia (and Sydney in particular) as a financial services hub.

## Support science, research and innovation

### Submission to the National Innovation Systems Review

The Commonwealth Government announced in early 2008 that it would be undertaking a review of national innovation systems and called for submissions from interested parties. The NSW Government's submission was prepared by the Innovation Unit.

The main features of the NSW submission include:

- › a statement on the NSW approach to innovation which is contemporary and practical and reflects the characteristics of the NSW economy
- › an argument supporting an expanded view of innovation which advocates a stronger focus on improving productivity in industries that are most likely to produce benefits for the broader economy
- › recognition of the need to develop an evidence-based approach to innovation
- › a statement on the need to introduce best practice guidelines for government procurement for innovation
- › recognition of the need to introduce regulatory measures to promote and encourage innovation
- › a call for public sector innovation to be recognised as a key foundation for change, including through enhanced in-house expertise and effective risk management.

## International Business Relations

### Nature and Scope of Activities

The Department, through the International Business Relations Unit, coordinates whole-of-government marketing of Sydney and New South Wales in key international markets. The Unit manages missions led by the Premier and other Ministers, a network of Sydney Ambassadors and international partner organisations and the website, [www.sydneyaustralia.com](http://www.sydneyaustralia.com). The International Business Relations Program provides networking and promotional opportunities in key international markets for NSW business, universities and other partners and provides advice to the NSW Government on the international business environment.

## Major Achievements

### Market the strengths of Sydney and New South Wales

Highlights of the year were the Premier's visits to China and India, accompanied by large delegations of business and university leaders. Major outcomes included:

#### Premier's visit to China, November 2007

- › the establishment of a tourism promotion partnership between China Unionpay and Tourism NSW and the opening of an Australian wine import centre
- › the establishment of Guangdong-NSW University Presidents' Forum and formation of a joint chair in Traditional Chinese Medicine between the University of Sydney and Sun Yat Sen University.

#### Premier's visit to China, May 2008

- › the establishment of a mobile telecommunications centre by Huawei and announcement of the opening of a Sydney branch office of the Industrial and Commercial Bank of China in Sydney

- › the approval of a Chinese foreign exchange licence for Westpac
- › the signing of a memorandum of understanding on Asian Games Cooperation and a Friendship Cooperation Agreement between New South Wales and Shanghai.

#### Premier's visit to India, November 2007

- › new investments in New South Wales by major Indian corporates, Wipro and Rolta
- › the signing of a number of university partnerships, including one between the University of NSW and the Energy and Resources Institute in New Delhi.

During the year there were 12 official NSW government delegations to international destinations. These included visits to the United States, Europe, China, India and United Arab Emirates by various Ministers. In addition, Her Excellency the Governor of New South Wales made an official visit to Indonesia. The Department supported these delegations through the organisation of visit programs and the preparation of country and program briefs.

Sister state relations were strengthened during the year through a number of events, including the Governor's visit to Indonesia as a guest of the Governor of Jakarta Province and the reception of an energy-focussed delegation from North Rhine Westphalia, Germany. The 22nd NSW–Guangdong Joint Economic Meeting was held in Guangzhou under the auspices of the NSW–Guangdong Sister State Relationship, now in its 29th year.

The Department coordinated NSW participation in *Australia Week 2008* promotional activities in the United States and the business program of the Sydney-based United States Studies Centre. The United States is a priority market for New South Wales and is the leading source of foreign direct investment in the State. The Department maintains engagement with US businesses and other networks to build business relationships and to promote investment and visitation.

The State's capabilities were promoted to 23 official international delegations from countries including China, Japan, Indonesia, Malaysia, India, Malta, Italy, Romania, FYR Macedonia, Brazil, Saudi Arabia, South Africa and Canada.

During the year the Unit provided advice to the Premier and Ministers for 30 high-level meetings with international visitors and accompanying delegations from 12 countries. These included multiple delegations from China and India.

Heads of government who visited Sydney for the APEC Leaders Meeting during September as guests of the Australian Government were hosted by the NSW Government, including President Hu Jintao of China. The Unit assisted the NSW Office of Protocol and Special Events with the organisation of visit programs and hospitality.

In November 2007 the Premier announced that the NSW Government would appoint high-profile individuals with extensive networks to promote New South Wales in key international markets as honorary Sydney Ambassadors. To date 14 Ambassadors have been appointed for China, India and the United States.

The multilingual [www.sydneyaustralia.com](http://www.sydneyaustralia.com) website was developed to promote investment and visitation to New South Wales. The website includes a portal for the education sector and information about the Sydney and NSW lifestyle, leveraging the strong Sydney brand. The enhanced site was officially launched by the Premier on his mission to China and India in November 2007.

## Retail Tenancy

### Nature and Scope of Activities

The Retail Tenancy Unit carries out the functions of the Registrar of Retail Tenancy Disputes set out in the *Retail Leases Act 1994*.

The Unit provides advice to the retail leasing industry to assist the resolution of retail shop lease disputes at an early stage to help avoid a dispute from escalating. When a dispute requires higher-level intervention, the Unit arranges formal mediation to give the parties in dispute an opportunity to reach a resolution in a timely and cost-effective manner. These services are provided to retailers, landlords, real estate agents, solicitors and industry advisors.

Under the Act, parties must attempt mediation before their matter can proceed to a court or the Administrative Decisions Tribunal for determination. The Unit assists parties who are in dispute about the return of a bond lodged under the *Retail Bond Lodgement Scheme* and obligations or liabilities under a retail shop lease.

## Major achievements

### Develop an attractive business environment

Since the introduction of the *Retail Bond Lodgement Scheme*, the Unit has handled an increasing number of bond disputes. During the year the Unit received 170 applications for resolution of bond disputes. In the same period the Unit received 316 applications for mediation of retail lease disputes, making a total of 476 matters. The Unit achieved resolution in four out of every five applications for mediation.

The Unit responded to 6,875 enquires this year. This is down from the record number of 8,332 inquiries in 2005–06 and reflects increasing industry familiarity and compliance with the requirements of the bond scheme.

Amendments to the *Retail Leases Act* introduced in 2006 require lessors to give tenants a copy of the Retail Tenant's Guide, which was produced by the Unit and is available in several community languages. This year the Unit developed and produced the *Information Kit for Retail Tenants*. This kit helps lessees better understand their lease obligations. It is available as a CD-ROM and deals with all the steps from negotiating lease conditions through to the end of the lease. The information kit also helps lessees deal with business planning, understanding leasing costs and dispute negotiation.