

**Submission
No 7**

SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES

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17th July 2017

The Hon. Katrina Hodgkinson
Member for Cootamundra
The Chair, Committee on Investment, Industry and Regional Development,
Parliament House,
Macquarie Street,
Sydney NSW 2000.

Dear Katrina;

RE: Inquiry on support for start-ups in regional New South Wales

Background Knowledge: My career has included 25 years with IBM Corporation in Australia, Canada and the United States. I joined IBM in a technical capacity and quickly moved on to management and strategy. I have been a Government specialist with program management roles in several Australian states, Toronto and Ottawa in Canada, and Washington DC on the US Government strategy team. I returned to Australia and managed the Commonwealth Government operations in Canberra and the State of Queensland operations. I returned to the USA with my own start-up internet technology company in the late 90's and established a sizeable business in industrial online learning in Chicago, Illinois.

I sold that company and moved to Silicon Valley where I worked in venture capital and ultimately joined an NASDAQ listed company as Vice President Asia Pacific. I subsequently returned to Australia and ran my own farm in the Northern Rivers and a portfolio of small businesses. I am now the Executive Officer of Regional Development Australia Northern Rivers and I am passionate about building a 21st century robust regional economy in my region. As my career has encompassed many aspects of "entrepreneurism and "start-ups" I believe that I have some knowledge in this area.

I would like to outline an approach that may be of value to your inquiry.

1. **Plough the field:** The one thing that I have noticed across many areas of innovation and start-up activities is that the actual starting of a new company is only part of the overall ecosystem of entrepreneurial activity in a region. To create an environment that generates start-up activity you need to have proponents believing that being successful is highly possible. In rural and regional NSW, we need to get the communication right in making communities understand that in a fast changing world many opportunities are available and just because we are in regional NSW we are not excluded from taking advantage of those opportunities. Once this is accepted and understood by a small number of successful start-ups then an attitude of possibility comes alive. Making sure that regional NSW has the necessary elements to foster that environment is



critical. For example lack of bandwidth in many regional/remote areas to effectively develop start-up businesses and ideas is one example. By partnering with local government in broadcasting the potential and possibilities, with examples, will get communities aware and thinking about what could be achievable. Farmers have been innovating in regional NSW for generations so it is not new news.

Plant the seeds: In 2016, I helped start a STEM program for high school students in partnership with Wollongbar TAFE. This program included the NSW Education Department regional management and the Catholic Education office. The “Bright Sparks” event ran during school holidays and attracted over 600 young people to come and immerse themselves in emerging technologies. They saw what is available now and what is coming from 3D printing and drones to wearable technology and molecular food. The local High Schools, TAFE Colleges and Southern Cross University all pooled their engineering and science capabilities to plant the seeds of possibility in the minds of young people in the region.

Add Nitrogen: The next extension to this program is to try and attract companies that employ engineers to consider sponsoring sabbaticals in regional areas to offer professional technical people an opportunity to engender innovation and start-up mindsets in Wagga or Dubbo or Lismore for 12 months. By visiting schools, running information evenings and working with community groups to show where opportunities exist or ideas can be generated for regional industries and new innovative businesses. If BHP and Google are faced with people looking for a community project or getting close to retirement this may offer something different. This may offer a chance for people with long experience to show real world knowledge and possibly energise people in regional communities to bring their own ideas forward. Adding a visiting finance professional to that mix may also complete the funding element of “how to raise capital for my idea”. Regional start-ups suffer from ‘Informational disadvantage’ by investors/VCs which are typically found in metro areas. More deal flow could happen if there was increased visibility of regional start-ups by investor funds and better opportunities for regional start-ups to pitch to these investors. This means finding ways to communicate between these groups. Regionally there is a lack of sophistication/knowledge in local investor groups, and a lack of sophistication/knowledge in local investees.

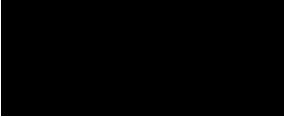
This situation can be overcome by developing and delivering training packages relevant to each cohort via local business support services or local councils.

Make it RAIN: The establishment of the overarching architecture for this set of programs is the Regional Australia Innovation Network (**RAIN**). For the benefit of all rural and regional Australians this program should ultimately be a Commonwealth program, but it could be part funded by the NSW government and trialled in NSW to develop and test the various elements. It is important that a coordinated approach is established and not left to local management who in many cases do not have the knowledge to make it successful. This situation could be supported through the establishment of regional investment funds, dedicated to investing into local start-ups at the seed funding stage and utilised to create angel investor groups looking for local opportunities. Support for start-ups should prioritise building a sustainable eco-system, with good interlinkages between the regions as a way of building critical mass. It is also important to establish linkages to international leaders, Berlin, Israel, Silicon Valley, Singapore etc and with the right people involved who already have those linkages success may be easier to achieve.

Innovation is already part of the makeup of rural and regional New South Wales and has been for hundreds of years. What is needed now is a revitalising of that history and the establishment of a broad network to start co-ordinating and bringing in the knowledge of what is available so that the people of regional NSW can show the world how to apply that knowledge successfully.

Time to bring the rain.

Yours sincerely



Alex Smith
Chief Executive Officer