

**Submission
No 10**

SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES

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NSW Government Submission to the Legislative Assembly Inquiry on Support for Start-ups in Regional New South Wales

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Introduction

This is the NSW Government's submission to the NSW Legislative Assembly's Committee on Investment, Industry and Regional Development Inquiry on Support for start-ups in regional NSW. The Inquiry's terms of reference requires it to report on:

- a. The effectiveness of state government policies and programs aimed at supporting start-ups in regional areas
- b. Possible new initiatives and reforms to reduce barriers and capitalise on the advantages associated with regional start-ups
- c. Policies and programs in other jurisdictions, and
- d. Other related matters.

This submission responds to item (a) by providing the committee with factual information about NSW Government policies and programs aimed at supporting start-ups in regional NSW.

The submission provides information about initiatives targeted to start-ups, small businesses, and entrepreneurs as the challenges faced by each are similar.

Regional NSW is a great place for start-ups to do business

Small businesses drive both metropolitan and regional economies. Regional NSW is a strong source of growth in both business and jobs. The latest Startup Muster 2016 Annual Report¹ shows that regional NSW accounted for 6.2 per cent of start-up² founders and 8.6 per cent of start-up supporters across Australia (including accelerators, incubators, mentors, educators, service providers and government). This is the best regional performance of all states, and also outperforms the state-wide figures for South Australia, the ACT and Tasmania.

The Australian Chief Economist³ reported new business entries by region for the year to June 2014. There were 24,256 new business entries in regional NSW (NSW less Greater Sydney⁴), accounting for a quarter of all new businesses in NSW.

Small businesses play a very significant role in regional economies. As of June 2016⁵, there were a total of 220,000 businesses operating across regional NSW with:

- 59 per cent being non-employing businesses
- 29 per cent employing 1-4 employees
- 10 per cent employing 5-19 employees
- 2 per cent employing 20-199 employees
- less than 1 per cent of businesses employing more than 200 employees.

The industries with the largest number of regional businesses were:

¹ Startup Muster (2017), *Startup Muster 2016 Annual Report*, <https://www.startupmuster.com/Startup-Muster-2016-Report.pdf>

² Startup Muster definition of a start-up is "an early stage business that has a large addressable market who is able to attain that market quickly utilising technology".

³ <https://industry.gov.au/Office-of-the-Chief-Economist/Publications/AustralianIndustryReport/innovation-map.html>

⁴ According to the Australian Statistical Geography Standard (ASGS) used by the Australian Bureau of Statistics (ABS)

⁵ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8165.0>

- Agriculture, Forestry and Fishing (21 per cent)
- Construction (16 per cent)
- Rental, Hiring and Real Estate Services (9 per cent)
- Professional, Scientific and Technical Services (8 per cent)
- Financial and Insurance Services (7 per cent).

Regional NSW is facing a range of economic challenges including a population which is ageing at a faster rate than metropolitan NSW, changes to the dominant employing industries, and greater workforce impacts from automation. An estimated 60 per cent of future jobs in regional areas are exposed to automation, in comparison with 40 per cent in metropolitan areas⁶. At the same time regional NSW has distinct strengths to build upon, including:

- Generally lower costs of living, such as more affordable housing, and a high quality of life (e.g. low congestion). When coupled with the NBN, regional locations can position themselves as viable alternatives for entrepreneurs.
- A growing small and medium sized enterprise (SME) sector that is focussed on innovation. Research undertaken by the Commonwealth Bank has indicated that 61 per cent of regional businesses in NSW earning between \$500,000 to less than \$2m were innovating in some way, more so than in other states⁷.
- A large network of universities, with regional NSW home to six separate universities with locations across 17 regional centres.

Regional communities in NSW have had differing levels of success in establishing a vibrant environment for viable start-up businesses. However, common factors of success have been identified including cohesive and collaborative regional stakeholder groups, programs and physical spaces that promote entrepreneurship, clustering of companies, and focusing on a region's competitive advantages. The latter may include making the most of local industry strengths, its population base, and connectivity to major centres via transport links or digital connectivity.

⁶ CEDA (2015), *Australia's Future Workforce*,

http://adminpanel.ceda.com.au/FOLDERS/Service/Files/Documents/26792~Futureworkforce_June2015.pdf

⁷ Commonwealth Bank of Australia (2017), *CommBank Regional Business Insights Report*,

<https://www.commbank.com.au/content/dam/commbank/assets/business/can/agribusiness/commbank-regional-business-insights-report.pdf>

Policy Framework for Regional Start-Ups

The NSW Government has outlined its priorities for policies and services to support small businesses, start-ups and entrepreneurs through a series of policies and strategies including:

- State Priority to make NSW the easiest state to start a business
- NSW Small Business Strategy
- Jobs for the Future Strategy
- NSW Government Innovation Strategy.

These high level policies guide Government decisions and inform stakeholders and the community of Government priorities.

Make NSW the easiest state to start a business

One of the NSW Government's State Priorities is to make it easier to start a business in NSW. This priority recognises that business start-up investment creates jobs, boosts productivity and strengthens the economy. This priority ensures that ease of starting a business is at the core of NSW Government decision-making when it comes to business approvals.

The Government is focused on reducing barriers, costs and complexity, and making regulatory obligations easier to understand and implement to create a business-friendly environment for NSW entrepreneurs.

NSW Small Business Strategy

The *NSW Small Business Strategy* was released in June 2017 as a clear articulation of the Government's commitment to the small business sector, and the range of policies and programs being delivered to support entrepreneurs. The Strategy outlines the key actions that will be taken to support small business under the following themes:

- explore opportunities for further taxation relief to encourage small business growth
- invest in new skills for business
- create fair procurement opportunities
- enable better access to cash flow and capital
- make it easier to start a business in NSW
- provide tools to build resilient businesses.

Jobs for the Future

In August 2016, Jobs for NSW released the *Jobs for the Future* report, which outlines a 20 year whole-of-government agenda to create one million new jobs by 2036. The report comprehensively assessed industry segments across the NSW economy, identifying 11 sectors which will provide the greatest opportunities for future job growth. The report identified targeted actions to directly benefit regional economies, including support for high-growth sectors such as agriculture and tourism. The report identified four enduring strategies to respond to challenges to future jobs growth, such as automation, task unbundling, and an ageing population. These are:

1. nurture our globally competitive growth segments
2. open doors for entrepreneurs

3. skill up for the knowledge economy
4. draw on all our people.

The Government has committed to an *Agenda for Action*, a range of actions under each strategy with the aim of strengthening the NSW economy and jobs growth. While the majority of the actions are equally applicable to metropolitan and regional NSW, three actions specifically target opportunities in regional NSW:

- accelerated strategic placed-based investment to drive regional economic growth and jobs
- cluster champions to advance profile and levers for growth
- regional funding and networking opportunities.

Innovation Strategy

The NSW Innovation Strategy presents the NSW Government's vision to boost innovation and foster a culture of entrepreneurialism in NSW. The Strategy positions NSW to tackle complex economic, environmental and social challenges, stimulate economic activity, and drive shared prosperity for the people of NSW. The strategy creates a framework to boost innovation in NSW with actions under four themes:

1. Making the NSW Government a leader in innovation, by being more open to external ideas and new approaches to the delivery of services
2. Helping NSW research bodies capitalise on research and development to drive social and economic value
3. Ensuring the right skills are developed, attracted and retained in NSW, equipping our current and future labour force to create their own jobs and technologies of the future, and meet technological advances and changing business and workplace models
4. Building on the strong position of NSW as the national leader in innovation, and Sydney as the start-up capital of Australia, to benefit the greater NSW regions and become a globally recognised centre of entrepreneurship. This includes promoting opportunities and success stories, to attract businesses and individuals to NSW.

Initiatives to Support Regional Start-Ups

The NSW Government supports start-ups in regional economies through a range of carefully targeted programs and initiatives. These initiatives are outlined in the subsequent sections of this submission and are targeted to the following types of support:

- Funding and financing
- Innovation ecosystem
- Business development services
- Removing barriers.

Funding and Financing

Gaining access to capital at the right stage of the business lifecycle can be critical in determining the success of a start-up. The NSW Government provides targeted financial assistance to firms with high growth potential.

Jobs for NSW

Jobs for NSW was established in 2015 as a private sector led, government-backed initiative to deliver on the Premier's priority of creating 150,000 jobs by 2019. The Jobs for NSW Board advises the NSW Government on how to drive jobs growth in the NSW economy and makes recommendations on how to invest the \$190 million Jobs for NSW Fund. The Jobs for NSW Board comprises some of the top business minds in the country and is chaired by former Telstra CEO David Thodey with regional representation through Jane Cay, founder of Cooma-based online fashion business Birdsnest.

Under the *Jobs for NSW Act*, Jobs for NSW is required to invest a minimum of 30 per cent of the Jobs for NSW Fund in regional and rural areas outside metropolitan Sydney, Newcastle and Wollongong. In 2016-17, Jobs for NSW exceeded its commitment, with 37 per cent (\$6.5 million) committed regionally of a total \$17.8 million invested.

Jobs for NSW funding supports incubators, hubs, clusters and also provides grants. The start-up⁸ program through Jobs for NSW comprises minimum viable product and the building partnership grants. To date those grants have helped more than 107 new start-ups, with 51 of these based in regional NSW.

Regional Jobs Now

In November 2016, the NSW Government launched Regional Jobs Now, a package of performance-based financial support provided through Jobs for NSW that matches the needs of regional businesses through the different stages of their growth. This includes:

- for start-ups, grants to obtain customer feedback on the organisation's Minimum Viable Product
- for growing start-ups, Building Partnerships grants to build the business model to expand their customer base
- for emerging, fast-growth SMEs, Accelerating Growth Loans to provide additional funds to support investment in their growing businesses (\$3.5m), and
- for SMEs (known as "Gazelles") that have proven themselves with 20 per cent revenue or jobs growth over three years, Gazelle Loan Guarantees to help them access funds from financial institutions to accelerate their business expansion.

Jobs Action Plan and Small Business Grant

The Jobs Action Plan and Small Business Grant encourage businesses to hire new employees and expand their business. The Jobs Action Plan provides eligible NSW businesses with a payroll tax rebate when they employ new workers in new eligible employment. The rebate has been increased

⁸ Jobs for NSW defines a 'start-up' as an emerging company, less than five years old, usually devoted to entrepreneurial ventures that has a scalable business model offering an innovative solution to marketplace needs.

from \$5,000 to \$6,000 for businesses with 50 or fewer employees, and the rebate has been extended to 30 June 2019. More than 373,600 new jobs have been created as a result.

The NSW Government also created the \$2,000 Small Business Grant for the nearly 650,000 small businesses that do not pay payroll tax, supporting the creation of 5,000 new jobs.

Case Studies

SlasherTek – Building Partnerships grant recipient

Based in Merimbula in the South Coast of NSW, SlasherTek is developing traffic drones and a robotic rubbish collection unit that could revolutionise the maintenance of highways and roads for local councils across Australia. In January 2017, Jobs for NSW committed \$98,000 under the Building Partnerships program to assist SlasherTek in further developing and optimising their technology. SlasherTek is working with Transport for NSW and councils to pilot the patent pending technology, and hopes for significant expansion with a view to eventually rolling the system out nationally, then to the US and Europe.

Obelisk Systems Pty Ltd – Minimum Viable Product grant recipient

Based in Maitland in the Hunter region of NSW, Obelisk Systems has created Star Lab, an education solution to address the shortage of STEM skills in Australia. The teaching kit challenges year 9 and 10 students to use software, coding and robotics skills to build a Mars Rover and then program it to sit, stay and navigate alien terrain. In August 2016, Jobs for NSW awarded Obelisk a \$15,000 Minimum Viable Product grant, which enabled Obelisk to purchase the technology required to initially develop their program.

Gundagai Meat Processors – Gazelle Loan Guarantee recipient

Gundagai's largest employer, Gundagai Meat Processors (GMP), secured a Gazelle Loan Guarantee from Jobs for NSW to set the business up for future expansion and access export markets by increasing processing capabilities. Jobs for NSW provided a financial guarantee of up to \$4 million to Commonwealth Bank of Australia (CBA), which enabled GMP to secure a loan with CBA to cover the further costs of \$30.5 million to support the upgrade and expansion of its facility. GMP employs 180 workers, most of whom are local residents. The expansion project will lead to a 40 per cent increase in annual production capacity, and help to create 76 additional full-time jobs.

Innovation Ecosystem

Governments can play a special role in fostering start-ups with products and services that are highly innovative, technology-based or dependent on emerging research and development insights. An innovation 'ecosystem' brings together entrepreneurs, skilled workers and investors to create high growth businesses and significant economic opportunities. It can be challenging to replicate this environment in regional communities, but the NSW Government has developed a number of initiatives to achieve this.

Boosting Business Innovation Program

The NSW Government's two-year, \$12 million Boosting Business Innovation Program (BBIP) accelerates innovation in NSW by supporting greater collaboration between research organisations and their business communities. The two-year program unlocks access to technology, equipment, research and expertise to build an innovation ecosystem and stimulate economic growth right across NSW.

The 11 NSW universities and CSIRO each received \$1 million to collaborate with SMEs seeking to scale up and innovate. BBIP is establishing collaborative spaces across the State through participating partners (for example the University of New England SMART region incubator and the University of Newcastle delivery of the Innovation Defence Hub at Williamstown). BBIP covers a wide variety of disciplines including IT, health, advanced manufacturing, digital technology, defence and aerospace, energy, agritech and biotech.

The program is growing the regional start-up sector and creating innovation clusters across the state. It provides access to high tech equipment and technical expertise research by SMEs and start-ups through TechVouchers. Over \$2.3 million of the funding (just under 20 per cent) has been allocated to TechVouchers to assist SMEs with funding to engage and work with NSW research organisations.

Regional Landing Pad for Start-ups

Jobs for NSW is delivering the Sydney Startup Hub, a high-density start-up cluster in the Sydney CBD to drive collaboration and networking amongst start-ups and SMEs to create the jobs of the future. The Hub will support regional entrepreneurs via a hub and spoke model. This model will connect metropolitan and regional investors, skills and customers, and help to overcome barriers to growth and commercialisation.

The Sydney Startup Hub will include a regional landing pad to support rural and regional entrepreneurs by providing temporary space in the Sydney CBD, as well as regional engagement and networking opportunities to connect regional innovation with the talent, partners and insights of Sydney's start-up community.

Incubator and Accelerator Program

Jobs for NSW has developed partnerships with accelerators and incubators across NSW, including those in the regions, to support their ability to nurture high potential start-ups to become jobs generators of the future. This includes support for Eighteen04, a Newcastle-based business incubator to help fast-track the development of smart and sustainable technology in the Hunter region.

Innovation Launch

Innovation Launch is a program of structured challenges designed to help innovators collaborate with government to solve important problems. Seed funding of up to \$150,000 is available to successful proponents, which enables them to undergo incubation, as well as advance their ideas. Two challenges have recently closed, including one to improve transport for people with disabilities called accessible cities, and another to reduce domestic violence reoffending, with winners due to be announced shortly.

Procurement Innovation Stream

In 2016, the NSW Government increased the Procurement Innovation Stream upper limit from \$250,000 to \$1 million. This makes it easier for start-ups and SMEs to directly provide services to Government through a proof of concept trial or outcomes based procurement of up to \$1 million in value. The change removes some of the red tape that currently exists and builds on the significant success we have had in broadening the supplier base in recent years.

SkillsPoints Headquarters

TAFE NSW is establishing SkillsPoints headquarters across the State, including six that are regionally based. These provide a dedicated industry specific focus and point of contact for industry and businesses. They will develop cutting edge training and innovative learning products that support skills needed by start-up businesses. The first SkillsPoints HQ – Innovative Manufacturing, Robotics and Science – will open in Newcastle in September 2017.

Business Development Services

The NSW Government delivers business development and advisory services to help entrepreneurs to start and grow their businesses. This assistance can include business planning, financial planning, gaining access to public and private sector supply chains, and becoming export ready.

Business Connect

The NSW Government is investing \$30 million in the new Business Connect program to help entrepreneurs to start and grow their small businesses, with 70 per cent of funding aimed at regional NSW.

Business Connect was launched on 1 January 2017 and builds on the success of the award winning Small Biz Connect program. Business Connect offers NSW businesses access to low-cost, independent, experienced local advisors plus a wide range of seminars and workshops. These events provide the skills training to people intending to start a business or recent start-ups to have the confidence to take the next step.

There are over 60 mobile business advisors, with many advisors located in regional towns such as Broken Hill, Deniliquin and Parkes. Since 2012, both Small Biz Connect and Business Connect have provided support to over 40,000 businesses across NSW, of whom 5,600 were businesses in a 'start-up' phase in regional NSW.

Over 25 per cent of regional start-ups assisted by the program received advice for business planning, while other areas of support included general start-up issues and marketing. The main industries represented by regional start-ups were retail trade, professional, scientific and technical services, healthcare and social assistance, arts and recreation services, and other services.

The program also delivers the Business Bus to provide mobile small business advisory services on the road in regional NSW, and Business Start Up health checks to assist in identifying what areas of the business requires work. Around 800 start-ups across the state have completed a Business Start Up health check.

Skills for Business Program

As part of the NSW Small Business Strategy, the NSW Government will invest \$30 million in the Skills for Business program. This will enable small business owners to access subsidised vocational education and training in areas of digital literacy, financial literacy and business management skills.

Export Advisors and TradeStart

NSW Trade & Investment export advisers encourage and assist companies to take full advantage of international market opportunities, and also deliver the TradeStart program in partnership with Austrade. To assist regional businesses in setting and achieving their export goals, specialist export advisers are located in strategic regional centres across NSW including Nowra, Orange, Ourimbah, Port Macquarie, Tamworth, and Wagga Wagga.

Export Capability Building Program

NSW Trade & Investment also delivers the Export Capability Building Program to provide assistance to exporters across New South Wales. It is aimed at small to medium sized businesses seeking to initiate export activities or export-ready businesses looking to consolidate their knowledge and maximise long-term export gains via 'Growing Your Exports' workshops, export labs where in depth discussions are held on a key trade issue, country briefings which examine a significant overseas market, webinars on topical issue for exporters, and focus groups.

Tourism Industry Development Services

Destination NSW has a dedicated Industry Development team to help new and established tourism operators develop and grow their businesses. The team provides a range of industry development initiatives including webcasts, training, resources and tailored advice to assist NSW tourism businesses, including start-ups, to develop, promote and sell their NSW tourism experiences. The team has extensive tourism industry experience. It provides feedback and assistance to tourism start-ups in the areas of product design, marketing, sales and distribution, promotion, as well as supporting 'export ready' development to increase the capacity and number of NSW tourism businesses actively targeting international visitors and selling via the inbound travel trade.

NSW First Program for Tourism

The NSW First Program assists NSW tourism businesses to develop, promote and sell tourism products. The program includes online training for rural and regional operators, with a focus on free on-demand content to cater to busy round-the-clock tourism businesses. The Program also includes face-to-face workshops in regional NSW that provide advice on how to access funding, engage traditional and digital media, target specific sectors including youth or Aboriginal tourism, and become export ready.

Removing Barriers

In addition to providing direct and indirect assistance to start-ups, the NSW Government has also developed initiatives to reduce regulatory and administrative barriers to help businesses establish and grow.

Regulatory Sandboxes

The regulatory sandbox program was established under the NSW Innovation Strategy. A regulatory sandbox is where regulators of an industry provide regulatory exemptions to allow for innovative products and services to be tested in a live environment. Regulatory Sandboxes are granted for a limited period to allow for a trial of the regulation exemption in order to enable innovative products and services that deliver clear benefits for the people of NSW in dedicated areas to reach the market faster.

The process for regulatory sandboxes is two stage and step-wise, and involves calling for submissions in broad thematic areas and then opening applications in a specific area, to enable a dedicated sandbox to be established.

Easy To Do Business Initiative

Easy To Do Business is an initiative that simplifies the way businesses navigate government requirements, cutting time, red tape and saving money. A partnership between Service NSW and the Office of the NSW Small Business Commissioner (OSBC) has created an online, one-stop shop initially for small business customers in the café, restaurant and small bars sector. Previously, to start up and run a café, restaurant or small bar, these small businesses would have to deal with up to 13 agencies, 75 regulations, up to 30 phone numbers and complete 48 forms. Through Service NSW, the NSW Government has now reduced this to one phone number and one online form.

The one-stop-shop digital service has been trialled in the City of Parramatta with great success: cutting down the time it takes to open a cafe, restaurant or small bar from over 18 months to 90 days or less. This success has seen the Easy to do Business initiative extended to Dubbo Regional Council, Georges River Council and Northern Beaches Council. Further expansion is planned to other business sectors, beginning with housing construction, and to additional Local Government Areas.

Commerce Regulation Project

The NSW Government has committed \$7.5 million over two years to deliver the Commerce Regulation Project (CRP). The CRP will deliver a new regulatory operating model that makes it easier to do business in NSW and improve the customer experience of those who deal with regulating agencies while maintaining strong community, workplace, public safety and consumer protection.

The CRP will provide a single and accountable point for the administration of business regulation schemes enabling a holistic, innovative and consistent approach to regulation that encourages greater business confidence while maintaining appropriate levels of consumer protection.

The CRP will increase the economic competitiveness of NSW through improved collaboration and alignment of the functions delivered by NSW regulatory agencies to provide innovative, effective,

efficient and risk based, outcome focussed regulatory practices that protect the community, minimise the cost of doing business and strengthen business performance.

Small Business Friendly Councils

The Small Business Friendly Councils (SBFC) initiative enhances engagement between local government and small businesses across NSW. Developed by the Office of the NSW Small Business Commissioner (OSBC) in partnership with the NSW Business Chamber, this initiative was the first of its kind in Australia. The initiative provides local councils with the opportunity to utilise the OSBC's resources, expertise and networks within government, and to participate in pilots trials of streamlined, best practice policies.

From 2017 the aim of this initiative is for the OSBC to work closely with local councils to make it easy to do business through policy harmonisation and regulatory reform.

Over half of NSW Councils have committed to participate in the SBFC Initiative and over 200 business improvement initiatives have been implemented across participating councils.

Further information

For further information about matters raised in this submission, please contact:

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