

**Submission  
No 24**

## **SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES**

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27 July 2017

**The Hon Katrina Hodgkinson MLA**  
**Chair, Standing Committee on Investment, Industry and Regional Development**  
**Parliament House**  
**Macquarie St, Sydney NSW 2000**

**Subject: Submission to NSW Legislative Assembly Committee on Investment, Industry and Regional Development regarding “support for startups in regional NSW”**

Regional Development Australia Sydney (RDA Sydney) welcomes the opportunity to provide input into the inquiry into support for startups in regional NSW.

RDA Sydney is part of a COAG-initiated partnership between the Australian and NSW Governments created to strengthen communities. It is part of a national network of 55 RDA committees comprised of local leaders representing government, community groups and other key stakeholders. A key role of these committees is to provide advice on issues affecting the economic development of regions.

**RDA Sydney and the Startup Sector - Background**

Since its organisational inception in 2009, RDA Sydney has held a primary focus on the economic development of Sydney in the context of Sydney’s role in the broader NSW and Australian economies. RDA Sydney’s key priorities have been based on equitable economic development, with a particular focus on innovation, access to jobs and reducing urban congestion.

The RDA Sydney 2016-17 Business Plan lists the organisation’s four strategic goals:

- 1. Nurture innovation and industry development to get the right jobs in the right places;*
- 2. Seek to influence government policy to make Sydney a liveable city with affordable housing, amenity and improved well-being and social equity;*
- 3. Develop and promote ‘Whole of Metropolitan Sydney’ integrated planning and tools;*
- 4. Develop RDA Sydney’s organisational capacity to deliver successful outcomes through partnership.*

In addition, the Business Plan also lists RDA Sydney’s Key Regional Priorities including,  
*“A need to understand the trends in emerging industries especially in the tech start-up sector and the opportunities this will provide in employment and business creation.”*

In relation to these goals and the specific regional priority, RDA Sydney has undertaken a number of initiatives in the context of startups:

- 2013 – RDA Sydney and the Western Sydney Regional Organisation of Councils (WSROC) co-facilitated a forum of Western Sydney councils to explore the potential of smart work centres in Western Sydney;
- 2013-14 – RDA Sydney, WSROC and the Penrith Business Alliance co-funded a study led by the University of Technology Sydney into the feasibility of smart work centres in Western Sydney (see [report](#)).
- 2013-15 – member of National Telework Week working groups – Central Coast & Sydney
- 2015-17 – RDA Sydney has been a member of the Shared Work Hub Alliance
- 2015-17 – RDA Sydney has carried out extensive networking and analysis of the startup ecosystems in Sydney.

In our submission to this inquiry, RDA Sydney will give some pertinent background on our experience and then make recommendations based on what we perceive as best practise.

### **Relationship between Smart Work Centres and Startups**

In 2013, when RDA Sydney started developing the concept of smart work centres in Sydney, the particular focus was on sustainable business models that would lead to viable long-term solutions. The concept included a focus on a core component of teleworkers, paying individuals who would work from a centre one or two days a week in order to work closer to home and avoid long commutes.

A smaller but perhaps more vibrant component was coworkers, defined as people trying to develop a commercial idea, or who are trying to start or are running small businesses. These are people who can benefit from the services available at a smart work centre and from the dynamics of working with like-minded people and the creativity and ideas that this may spawn.

It was assumed that this model of smart work centre would be suitable for strategic centres in southern, western and northern Sydney, as well as for locations such as the Illawarra, Central Coast, Newcastle and other places such as Bungendore. However, what has transpired since the concept was developed in 2013 has been that the uptake of telework from centres has been minimal within the city limits and that the main clients of smart work centres have been coworkers and small businesses.

Anecdotally, outside of Sydney, the number of commuters taking the option of using smart work centres (e.g. Wyong) seems to be greater as the value proposition is much better when comparing the cost of a desk hire and the time to commute to the actual cost of the commute.

In the context of this submission, the connection between smart work centres and startups lies in the coworking component. Many startups use coworking as an initial or even

advanced step on their journey. According to [Startup Muster 2016](#), 72.3% of Australia's startups are using coworking in any capacity and 54.5% use coworking full-time. This indicates the importance of coworking to startups and the perceived/real benefits that they receive from this type of work.

### **Coworking centres**

Coworking centres can be multi-purpose, attracting a wide range of users including budding entrepreneurs, home-based businesses and even small established companies. There is no one particular model of coworking centres that can be rolled out to all locations. In fact, the growth in the number of coworking centres in places like the Sydney CBD is leading to continual innovation and adaptation of the business model as they compete against each other.

Potential features of coworking centres include:

- structured support activities and programs that clients can utilise to gain knowledge and connections.
- embedded with startup incubators, venture capitalists, research facilities, higher education etc.
- networked with other coworking centres or parts of the startup ecosystem either locally, regionally or internationally.

Experience in outer Sydney and surrounds is that while there is a role for government in establishing and supporting these centres, it may in fact be minimal. For instance, local government may be able to provide subsidised rent for a premises until a centre is able to establish itself (see example of City of Sydney support for a variety of coworking centres including the initial establishment of Hub Sydney). Ideal in this situation is if local government has under-utilised property assets that may be suitable for coworking centres in locations that are likely to attract startup entrepreneurs.

While the government sector has a potentially important role to play in the fostering of startup ecosystems throughout NSW, it is the private sector that is the main driver. RDA Sydney believes that startup infrastructure, whether a specialised startup incubator, coworking centre, or broader smart work centre, should ideally be managed by the private sector or an agile entity that prioritises its own viability and returns on investment (universities are good examples of the latter e.g. University of Wollongong with iAccelerate or Western Sydney University with Launchpad). Not that the public sector cannot do it, but rather that financial viability issues and adaptation/innovation are key to private sector survival.

## Best Practise Recommendations

### a) Private sector engagement

There are many private sector operators of startup infrastructure around Australia, and RDA Sydney recommends that some of these may be engaged to consider suitable models and viability. The private sector has the inherent flexibility and adaptability to look at models suited to particular circumstances. Their success, to a large extent, is dependent on the success of their startup clients. While driven by profit, this will only be a short-term result if they cannot provide the services, support and networks that their startup clients demand.

### b) Local startup strategies

The [City of Sydney](#) (and more recently the [City of Melbourne](#)) has developed startup strategies as they see this sector as a key component of broader economic development strategies. These strategies describe the sector, detail the key players in the ecosystem and then have specific initiatives to support and grow the sector.

Such strategies may assist regional NSW councils and other stakeholders to clearly define what they hope to achieve and how. The strategy may not be standalone but may be part of broader economic development strategies.

For instance, Blue Mountains Council through the Blue Mountains Economic Enterprise has an objective to establish a creative startup hub and is in the process of considering what strategies may be required. Parramatta and other councils have smart city strategies that while not focused specifically on startups do include a focus on innovation and talent attraction.

Councils see startups not just as a way to harness economic development but also as a way to enliven central spaces, particularly in CBD locations. RDA Sydney has even heard from large retail developers that coworking spaces are attractive for their centres as they add a sense of vibrancy, entrepreneurship and professionalism that can act to enliven struggling retail spaces.

RDA Sydney recommends that local government together with other key stakeholders in regional NSW develop strategies to support the rise of cowork in general and startups specifically, linking these to existing networks through the universities and TAFE sector (such as Sydney School for Entrepreneurship) and the Federal Government's National Innovation and Science Agenda (including the Incubator Support Program).

### c) Analysis of regional innovation ecosystems

RDA Sydney recommends that an analysis of regional innovation ecosystems be conducted in targeted areas of NSW, feeding into the development of strategies in b) above. This analysis should include existing and potential startup ecosystems, and build on existing studies in this area including those of universities and TAFE colleges. The point here is that not every region is uniform and that there may be significant ecosystem characteristics in one region that may not be present in others.

Such an analysis might lead to conclusions that have a broader focus on innovation ecosystems in general rather than specifically on startups.

### d) Government support

Government support for developing startup ecosystems can come from any of the three levels of government. Reliance on government funding/support should be minimal in order

to promote sustainable and dynamic business models. Support could be in the form of subsidised rent and fitouts for coworking centres, for example. In addition, strategic support could be provided, including support for:

- Participation in startup networks
- Inter-regional engagement with other startups and incubators.
- Developing mentoring networks.
- Inbound or outbound visits by venture capitalists, universities, peak bodies (such as Sydney School of Entrepreneurship).
- Possibility of landing pads in key areas
- Running or participating in events such as hackathons.

#### **e) Networked ecosystems**

As stated above, in Sydney the main concentration of startups is in a very small area in the Sydney CBD. When one looks at Western Sydney, for instance, there are a number of co-working centres and incubators, but very little in terms of concentration. It would not be too far of a stretch to say that there is not a startup ecosystem in Western Sydney.

And yet many startup founders based in the CBD startup ecosystem have probably come from places such as Western Sydney or regional NSW. The question has to be asked is it possible to create startup ecosystems closer to where people live or has the magnet of such a strong ecosystem in the Sydney CBD and the opportunities that are there weakened potential elsewhere?

What is clear is that successful startup ecosystems cannot be just created. Policies and strategies can be put in place to nurture them but it is really only when sufficient momentum has been gained through successes and coincidences that an ecosystem can be declared to be a success, adding to local employment and prosperity. The case of the Wagga ecosystem is an example of an area where the ultimate success of one particular startup has had a catalytic effect on other startups in the ecosystem.

RDA Sydney recognises the work of Governments, particularly at the State and Federal levels in supporting programs that allow regional ecosystems to network with each other. This should continue to be a focus as it allows the ecosystems access to networks that may allow them to strengthen and offer opportunities for their startup constituents.

#### **f) Focus on thematic areas**

While there is no imperative for physical proximity of startups specialising in a particular genre with industries of that same genre, it does make sense that there may be opportunities and experience gained from specialist startup infrastructure being located in certain areas. For instance:

- Agtech – rural NSW
- Cleantech – any location
- Transport and logistics tech - possibly Western Sydney
- Medtech – particularly with telemedicine and remote area medicine – rural NSW but also places like Nepean and Liverpool (close to key hospitals that have proximity to rural locations).
- Mining tech - regional NSW
- Green tech - any location
- Retail tech - any location.
- Edutech - locations that depend on distance education.
- Creative industries - Blue Mountains.

**Final Word**

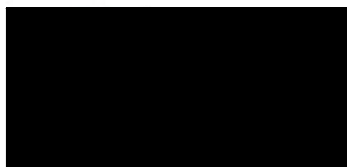
RDA Sydney does not believe that there is a magic bullet to create a flourishing startup ecosystem. However, there are measures such as those listed above that may contribute to the inception and growth of the sector.

Experience from Australia's largest startup ecosystem, Sydney, shows that the sector is ever-changing particularly in relation to organisations that provide support to startups. What is optimal today may not be the best for tomorrow. It is important that support strategies for startups have in-built flexibility to adapt to changing circumstances and best practises.

It is also important that regional communities do not view startups as economic miracles, particularly in the context of job creation. The benefits of startups may be more in the spirit of entrepreneurship that they breed and the generated products that may be of benefit to both regional and metropolitan communities, both domestically and internationally.

We thank you once again for the opportunity to make this submission. In the meantime if you have any questions please contact our Executive Officer, Bob Germaine on [REDACTED]

Yours sincerely



**Dr Robert Lang**

Chair  
Regional Development Australia Sydney



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