

SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES

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Committee on Investment, Industry and
Regional Development
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Sir/Madam

Support for Start-ups in Regional New South Wales

Thank you for the opportunity for Bathurst Regional Council to provide a submission regarding the support for start-ups in regional New South Wales.

Bathurst overview

The Bathurst region is located in the Central tablelands of NSW and covers an area of 3,818km². Bathurst represents the best of both worlds with easy access to Sydney (2.5 hour drive) and Canberra (3.5 hours) with an idyllic regional lifestyle, supported by the continual development of city infrastructure. For this reason, Bathurst experiences strong population and economic growth, presenting exciting new business and investment opportunities. Bathurst is the largest LGA in the region and represents one-fifth (20%) of the total Central West economy.

As a demographically young city with the median age being 37, Bathurst is recognised as the 'Education Hub' of the Central West with over 60 institutions employing over 2,000 residents. These institutions not only provide excellent education, but also many of their students reinvest their skills into the local economy, providing the city with some of the best skills on offer. Bathurst is the home of Charles Sturt University, with more than 14,000 domestic and international students studying through the Bathurst campus alone. Industrial land and commercial office space is readily available, including the strategically located Bathurst Services and Trade Centre and the Kelso Industrial Estate. A strong and diverse economy underpins the Bathurst community with Education, Food Manufacturing, Health Care, Government Administration and Construction being the main industries in terms of employment and economic contribution. Bathurst has over 3,300 GST registered businesses (source: ABS 2016).

Bathurst is currently adding approximately 500 new residents each year on average, and requires continuous business growth, relocation and start-ups to provide employment diversity for a growing population.

- A) The effectiveness of state government policies and programs aimed at supporting start-ups in regional areas

Jobs for NSW

Bathurst Regional Council supports and welcomes many of the programs that sit under Jobs for NSW. The State Government's recognition of the need to provide grants for high-potential new businesses, incubators and accelerators is a great step towards the development of new innovative businesses, and to create a supportive environment for innovation to thrive. Jobs for NSW recently provided a grant of \$270,000 for the Upstairs Foundation Start-up Hub located in Bathurst. Bathurst Regional Council is a Foundation Partner for this project, alongside Reliance Bank, Charles Sturt University and the NSW Department of Industry. Supporting start-up hubs within regional NSW is a very effective support mechanism to nurture the development of new businesses, and such projects would not be possible without this financial support. Most importantly, financially supporting these endeavours in an ongoing manner will allow start-ups to launch with a higher degree of success and reduced risk, as their business models have been thoroughly tested. Further to the provision of funding for start-up hubs and accelerators, Council encourages the continual involvement of NSW Government in these projects through such departments as the NSW Department of Industry to provide guidance, contacts and the best chance for these programs to succeed. Also, it is very important for NSW Government to take the lead in linking start-up hubs together to form a supportive framework. The creation of this network of hubs (especially with the "parent" Sydney hub) could also provide the opportunity for budding entrepreneurs to more broadly share their experiences, access resources and to learn about new markets outside of their regions. Additionally, the Minimum Viable Product Grants and Building Partnership Grants provide great opportunities, however Council feels that these opportunities are not well communicated to start-ups or to those who may be interested in developing a new idea into a viable business model. Council also notes that these grants provide funding for the exploration of customer feedback, business models and pilot projects, rather than a direct start-up seed funding model.

NSW Government's Innovation Strategy

The Regulatory Sandbox Program is a great step in reducing the regulatory burden on budding entrepreneurs. Council feels that the current regulatory framework could potentially stifle the development of new businesses, and the testing of business models within an agreed set of regulatory provisions (while also closely monitored) will significantly reduce the time-to-market for entrepreneurs to launch their new products and services. Council commends this program and will watch the results of the initial trials with interest.

Council hopes that additional projects under the Innovation Strategy banner are expanded and explored in regional areas such as Bathurst, inclusive of the NSW Smart Sensing Network (NSSN), especially considering the growing demand and development for health research and development in Bathurst.

NSW Department of Industry

The services provided by the NSW Department of Industry in the Central West region are extensive. Council has a strong relationship with the regional Business Development Managers from the Department of Industry, who are regularly in contact with the relevant Council staff to provide advice on available grants and incentives for start-ups.

The NSW Small Business Strategy identifies the need to reduce red tape and the regulatory burden on start-ups. As previously mentioned, Council looks forward to hearing the results from the trials that are currently taking place in this area. Another program within the NSW Small Business Strategy, the "Easy to do Business Initiative" also looks promising in assisting start-ups, especially the "WeAgree" program which will hopefully simplify all stages of the business contract lifecycle from negotiation to termination (inclusive of dispute resolution).

Council feels that other available NSW Government programs, such as the "Investing in new skills for business" funding initiative identified in the NSW Small Business Strategy needs to be properly linked to those who are currently developing their new businesses within start-up hubs, and is also properly promoted to new business owners who emerge from these incubators.

The NSW Department of Industry provides funding to the local Business Enterprise Centres (BEC), alongside the Federal Government. Bathurst Regional Council partners with the local BEC to provide business development opportunities to local organisations inclusive of workshops and co-funded business education initiatives. This is inclusive of the referral of new business enquiries to the BEC to assist in the successful launch of start-ups. This service is invaluable and cannot be understated, as the BEC act as the primary resource to which Council refers these enquiries and without proper resourcing would significantly impact on the success and emergence of new start-ups. Council strongly encourages the NSW Government to extend the resources and funding provided to the BEC to allow them to run effective start-up programs, such as their "Small Business: Is it for you?" workshops and advisory services for new entrepreneurs. Without proper funding and marketing support, it is unlikely that burgeoning entrepreneurs would be aware of the services of the BEC. This is also the case for Regional Development Australia (RDA) Central West, as proper funding impedes the important resources and research they provide in encouraging the emergence of start-ups.

B) Possible new initiatives and reforms to reduce barriers and capitalise on the advantages associated with regional start-up

A region's ability to support the development of start-up businesses depends on a wide-spread culture of entrepreneurship. NSW regions must build economic ecosystems that help entrepreneurs turn good ideas into high-growth, scalable businesses. This is not possible without partnerships between all levels of government, local business chambers, educational and research institutions, mentors, investors, media, and most importantly, entrepreneurs.

To build capacity in a region, there must be a clear process, or runway, that will lead entrepreneurs from idea to commercialization to exit and provide the necessary support services along the way (*Markley et al., 2015*). There are opportunities for local, state and federal governments to partner with regional communities to enable a "start-up culture".

Smart City Development and Connectivity

For regional areas such as Bathurst, to evenly benefit from the 21st Century competitive advantage of large urban centres, it is imperative that communications infrastructure and connectivity are at parity. The availability of high speed internet and reliable communications services is a key consideration to attract entrepreneurs and encourage start-ups, and the deficiencies of these services have been a historical impediment for start-ups.

The availability of reliable, fast internet is especially significant in regional centres, where the internet enables entrepreneurs to compete in the global marketplace despite their size and remoteness. Bathurst is an emerging Smart City with the recent activation of the NBN and the emergence of Australian-first regional technology hubs such as Gunthers Lane www.guntherslane.com.au and globally recognised app development businesses. Improved internet speeds, reliability and new sharing technologies are viewed as enablers for such developments. Continued investment in the continual improvement of high speed internet in regional NSW and the encouragement of new technology adoption are paramount, especially in improving the ability for start-up businesses to access national and global markets. Council strongly encourages the NSW Government to fund Smart City programs that support connectivity and innovation. This may be especially possible through funding streams in the recently announced \$1.3 Billion Regional Activation Fund. It should be noted in the context of previous comments on government partnerships that the Federal Government are strongly encouraging the development of Smart Cities through their "Smart Cities and Suburbs Program". It would make sense for all levels of government to cooperate in the development of regional Smart Cities within NSW in the co-funding of innovative technologies in the regions. Funding Smart City projects fosters the capacity for new business ideas and innovation. As an example, Free CBD Wi-Fi networks facilitate not only greater access to reliable free internet; they also capture information to inform next generation business marketing. Free Wi-Fi services also foster the integration of "The Internet of Things" (IoT) or the inter-networking of physical devices, vehicles (also referred to as "connected devices" and "smart devices"), buildings, and other items embedded with electronics, software, sensors, beacons and network connectivity which enable these objects to collect and exchange data. The greater connectivity afforded by such technologies encourages the development of new business ideas, apps and products. This is especially evident in Amsterdam for example, where the city co-creates solutions with entrepreneurs by providing them with Open IoT infrastructure including beacon and sensor networks. Next generation apps have been created and new startups have emerged as a result of this co-operation with the city and its citizens, such as solutions to real problems like parking, tourism and health.

Attraction of entrepreneurs – relocation funding

In regional NSW, the challenges of fading traditional industries, reduced economic diversity and a loss of talent to urban cities highlight the need for novel economic development strategies and incentives. The attraction of innovative start-ups and entrepreneurs to regional areas may be possible through the availability of joint seed funding schemes, should an entrepreneur agree to launch a new business within regional NSW. This may encourage the flow of talented individuals to regional areas and create an emergent cultural and economic shift to the regions. The linkage between Sydney start-up hubs and regionally based hubs could facilitate the identification of start-up opportunities in regional NSW, and the funded relocation of entrepreneurs to these areas to explore new business ventures.

More platforms for entrepreneurs and start-ups

Council is aware of the recent "Do you want to pitch or play?" event, which provided the opportunity for innovators to pitch for seed funding of up to \$150,000 as part of the Innovation Launch challenges. Entrepreneurs were also able to trial innovative ideas in the Regulatory Sandbox. Council strongly encourages the exploration of these pitching platforms to place potential start-up ideas in front of investors. Facilitating such contact will allow entrepreneurs to attract funding and to network with individuals and organisations who may be able to help launch their business. These platforms could also be a joint venture between all levels of government in providing funding to start-ups who have met the required criteria to receive seed funding (supported by the necessary documentation). Additionally, the opportunity to pitch to potential investors in an invaluable experience for up and coming entrepreneurs and the provision of these platforms will further develop their skills.

C) Policies and programs in other jurisdictions

QLD: Advance Queensland Innovation Initiative

The QLD Government have demonstrated significant leadership in the development of programs to encourage and support innovation. This is particularly evident in the QLD Governments Advancing Regional Innovation Program, Business Development Fund and the Commercialisation Partnership Program. These programs provide dedicated funds (in some cases to individual regions) for the development of mentoring programs, connecting entrepreneurs, research commercialisation and seed funding. The Business Development Fund allows Queensland businesses who are at the forefront of commercialising cutting edge research or innovative ideas, products or services the opportunity to access \$40 million of investment to help unlock their innovative potential. The Commercialisation Partnership Program places Queensland innovators in Chinese incubators to collaborate with global expertise, access top facilities and accelerate commercial outcomes. These impressive programs provide diverse opportunities for the development of innovative start-up businesses.

VIC: LaunchVic

LaunchVic works in partnership with entrepreneurs, industry, business, the community and educational institutions to strengthen Victoria's entrepreneurial and startup ecosystem. The programs focus is to increase scale (more people, firms and entrepreneurial activity) and improve capability (better, more capable start-ups and entrepreneurs). Very little information is provided online about this program, however the Startmate Pitch Workshops provide a great platform for the development of start-ups. LaunchVic has joined forces with Startmate to offer free two and half hour workshops every month to help founders develop their business pitches. Participants receive advice on how to build a pitch that gets noticed and tips on how to approach investors. Participants also have the opportunity to meet privately with a Startmate mentor for thirty minutes to receive additional advice and attend quarterly networking events that connects investors and founders. As previously mentioned in this submission, Bathurst Regional Council strongly supports the development of pitching programs in NSW to not only place potential start-ups in front of investors, but to also develop pitching skills.

ACT: Innovation Connect

Innovation Connect is a competitive grant program that provides matched-funding support for smaller, technology focused startups and entrepreneurs to accelerate viable, innovative ideas along the commercialisation pathway.

Innovation Connect provides competitive grants of between \$5,000 to \$30,000 of matched funding for proving conceptual design (eg. developing a prototype). From 2017, The ACT Government expanded Innovation Connect to provide a 'Renewables Stream' funded from the Renewable Energy Innovation Fund. This is a dedicated funding stream designed to support commercial opportunities within the renewable energy and cleantech sectors. This model is similar to the NSW Governments Minimum Viable Product Grants and Building Partnership Grants. Council recommends the exploration of a model similar to the ACT's Renewables Stream, especially considering the rising cost of energy prices. This may encourage the development of new renewable energy start-ups and solutions.

Australian Government Landing Pads

As part of the National Innovation and Science Agenda, Austrade have established five Landing Pads in Berlin, San Francisco, Shanghai, Singapore and Tel Aviv. Landing Pads provide market-ready Australian startups with access to world leading innovation and startup ecosystems. Participants are provided with a short-term operational base at one of five Landing Pads for up to 90 days, where they will benefit from an immersive environment that is designed to accelerate the development of a start-up's products or services. The program also provides in-market business development, investment, mentorship and strategic partnership opportunities. Council encourages the NSW Government to explore similar programs, or to work with federal counterparts in expanding and promoting the existing program in NSW.

D) Any other related matters

Agribusiness

Agriculture remains the economic backbone of the Central NSW Region. Bathurst provides an agricultural haven for the agricultural services sector, with established export infrastructure (air, road freight and rail intermodal terminals) and supply chain networks. This sector will retain its relevance and provides strong opportunities for development and growth. Council encourages the NSW Government to explore programs that specifically support the development of new Agritech start-ups.

Thank you again for the opportunity for Council to provide a submission regarding the support for start-ups in regional New South Wales. Please feel free to contact Steven Bowman, Council's Manager Economic Development on [REDACTED] or via email at [REDACTED] should you require any further detail regarding Council's submission.

Yours faithfully,

[REDACTED]

D J Sherley
GENERAL MANAGER