

**Submission
No 30**

SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES

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Inquiry into support for start-ups in regional NSW
Submission by Regional Development Australia Hunter

Dear Committee Chair and Members,

Regional Development Australia (RDA) Hunter welcomes the opportunity to make a submission to the inquiry into support for start-ups in regional NSW.

RDA Hunter and the local innovation ecosystem

Innovation was prioritised by the Board of RDA Hunter in 2012 as a strategic pillar on which to build economic development of the Hunter. Projects and activities to progress Hunter innovation included, measuring innovation in the region, publishing scorecards and using an OECD / EU innovation policy framework, the smart specialisation strategy, to identify areas of strength in terms of knowledge, anchor organisations and potential for globally competitive growth.

Importance of being embedded in a healthy ecosystem

For start-ups to grow and prosper in the region, they will need to be embedded in a wider, more diverse innovation ecosystem. The NSW Government can assist by directing policies and programs to attract essential components of the ecosystem to the Hunter. These are, larger companies and headquarters of national and multinational businesses, as well as additional access to venture capital. These components supply the ingredients of commercialisation expertise and access to global supply chains, both essential to the development of rural and regional innovation ecosystems, as well as metropolitan ones.

The Hunter has physical spaces for research, co-located collaboration and emerging innovation precincts. However, without the presence of larger companies to enable commercialisation, provide paths to markets and be the anchors for the innovation ecosystem, regional start-ups will only grow marginally and then be forced to leave the region to prosper in a larger scale and healthier ecosystem.

There is also a role for the state government to be an active agent in the region. Essential support and guidance for the members of the ecosystem and the effective functioning of the collaborations that it generates, is required on the ground to ensure the innovation program is delivered.



Policy and program support for regional start-ups

- a. The effectiveness of state government policies and programs aimed at supporting start-up in regional areas.

In the call for submissions, there is no clear identification of which state government policies and programs supporting start-ups will be under consideration of the Committee for measurement and evaluation of effectiveness. We have taken the view that this is part of the Committee's methodology, leaving scope for regional NSW to advise on what they see are the policies and programs supporting start-ups.

RDA Hunter pioneered discussions between disparate groups on the benefits of innovation hubs and co-located work spaces being incorporated into the region's diverse business models and industry sectors. Participants in these planning workshops included: Hubs Australia, Hunter Business Chamber, Hunter TAFE, Newcastle NOW, Slingshot, University of Newcastle (UON) and UrbanGrowth NSW. RDA Hunter's model was based on three primary components:

1. Education – mentoring, post-grad degree projects, research and business engagement
2. Accelerator – venture capital support and commercialisation
3. Co-worker spaces – user pays, rental basis.

Partnerships formed during these formative planning discussions from 2013 to 2015 have attracted funding for innovation facilities which now in operation.

These start-up innovation facilities include a multi-location network supported by NSW Government's Boosting Business Innovation Program:

- DaSH – Dantia, Lake Macquarie City Council
- Three76 Hunter Street – UON
- Williamstown defence innovation hub
- Upper Hunter co-located workspace and innovation hub – Muswellbrook Shire Council

And, Eighteen04 – CSIRO: incubator and co-located workspace for clean tech and smart city start-ups in the Hunter.

UON's PVC Industry Engagement and Innovation, Dr Sarah Pearson, sees innovation hubs as providing the, "opportunity for the university to connect with industry, government and the start-up scene. They provide a pathway for students to build start-ups based on their ideas, and support university spin-outs." And further, the goal in five years is to see, "staff and students setting up more than 50 start-ups a year..."

Newcastle Herald, <http://www.theherald.com.au/story/4806034/innovate-or-stagnate/>

Survey responses to develop the NSW Innovation Strategy, includes two points raised by the start-up community:

- "Government should consider ways it can more easily purchase innovative new products and services, and ensure start-ups are aware of these options.
- A focus on smart cities is needed, as the local connections that occur in precincts are central to start-ups and business growth."

The NSW Innovation Strategy is focussed on "putting Sydney in the top ten startup ecosystems in the world". Promoting Sydney as the "innovation entry point for entrepreneurs and startups to opportunities in NSW" and to be "the startup capital of Australia".

The state's innovation strategy could more clearly present how it supports start-ups in regional areas.

Although the NSW DPE Hunter Regional Plan 2036 mentions the benefits of innovation in a number of areas, and it highlights:

“The Hunter Innovation Project: \$9.8 million to provide free Wi-Fi, cutting edge smart parking and smart street lighting technology and a new innovation hub for researchers, students, industry and entrepreneurs.” (p4) ...

There is no mention in the Hunter Regional Plan 2036 of start-ups.

The 2017-18 Budget (NSW) includes a \$1bn economic activation funds as the majority part of the Regional Growth Fund. RDA Hunter will be working with local stakeholders to identify opportunities to progress economic development in the Hunter, including establishing the environment to encourage entrepreneurship and start-ups.

The Budget Estimates 2017-18 identifies “\$20 million to develop a site in the Sydney CBD where start-up incubators and accelerators will co-locate to foster collaboration and create jobs.” However, the Regional Overview paper has no mention of funding for the regions to support “start-ups”, “incubators”, or “accelerators”.

Being realistic and recognising the attraction of Sydney to young talented people of the Hunter, development of a site for start-ups within the capital puts the regions at a greater disadvantage when it comes to retaining, let alone attracting, talent to regional centres.

Initiatives and reforms

- b. Possible new initiatives and reforms to reduce barriers and capitalise on the advantages associated with regional start-ups.

Support specialisation

“The challenge for policy is to better nurture specialisations in cities, while supporting the transition in regional cities towards new economy industries. Specialisations represent both the services that cities offer as hubs for their region, and goods and services that are sold outside the region. Strengthening specialisations can underpin long-term growth and bring a diversity of high and low skilled job opportunities to regional cities.” (Pearson et al, 2017 *ibid*)

RDA Hunter’s Smart Specialisation Strategy (2016) identified, as a priority, the development of programs to educate, “more students in entrepreneurialism and business acumen, for professions and trades; and extending digital literacy which encourages businesses to embrace digital transformation as a foundation for growth and development. STEM, entrepreneurship and digital literacy form an essential bundle of skills to address changes in demographics, economies in transition and for the Hunter workforce to be equipped for the globally competitive jobs of the future.”

The NSW Government has a pivotal role in expanding the skill set of the state’s workforce as described in the Hunter S3.

Other policies and programs

- c. Policies and programs in other jurisdictions.

- 1. What is working so well in rural Queensland?

“Raising the level of innovative activity is the key challenge for governments. RAI analysis shows that business start-up rates are significantly higher in high growth cities. For example, Townville, a city that has been dominated by large old economy industries is now seeing success with the highest start-up rates for regional cities at 13 per cent of businesses. Building employment in

knowledge intensive business services and increasing innovative activity as measured by trademarks are other key targets for enhancing business dynamic policies.”

Pearson, L.J., Houghton, K., How, G. (2017) Lighting Up our Great Small Cities: Challenging Misconceptions, The Regional Australia Institute.

2. Spotlight on achievements

Global Entrepreneurship Week, <http://gew.co/> – opportunity to celebrate regional NSW entrepreneurialism with events and awards: 13 – 19 November 2017.

3. Example from overseas: China’s boom in artificial intelligence (AI) start-ups.

China has taken advantage of its talent and data strengths to have a herd of unicorns in AI. Expanding the economy has seen established tech giants respond to the success of these start-ups by investing more in AI.

Data, - current, immediate and even simulated, - are the most important ingredient in (AI). As software and digital products move beyond current code rules to operate based on deep-learning algorithms derived from patterns extracted from vast amounts of data.

“The more data are available; the more algorithms can learn and the smarter AI offerings will be.” (The algorithm kingdom, Beijing: The Economist July 2017)

On behalf of RDA Hunter, thank you for the opportunity to contribute to the Committee’s inquiry.

Prior to commencing as CEO of RDA Hunter in April this year, my international professional career covered executive and non-executive leadership positions across business, government and public/private sector R&D. In these roles, I delivered economic impact through innovation, investment, industry and regional development.

Some of my specific career experiences that may be of interest to the Committee and this inquiry, include: member of the Board of Innovation & Science Australia; advisory and governance of the National Innovation & Science Agenda; and mentoring start-up to scale-up entrepreneurs through DIIS, CSIRO, Austrade and Slingshot programs/accelerators.

Please contact me if I can be of further assistance. RDA Hunter’s office phone number is [REDACTED].

Yours sincerely,
[REDACTED]
Susan Wilson
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