SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES

Organisation: Regional Development Australia Central West

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The Hon. Katrina Hodgkinson
Chair
Legislative Assembly, Committee on Investment, Industry and Regional Development
NSW Parliament
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Re: Inquiry into Support for Start-Ups in Regional NSW

Regional Development Australia (RDA) Central West welcomes the opportunity to provide
feedback through this inquiry and is pleased to provide the attached submission in relation to
the Inquiry into Support for Start-ups in Regional NSW.

RDA Central West considers support for start-ups in regional NSW as critical to the future
growth of the region. This includes the potential for boosting regional competitiveness through
industry diversification and emerging industries, encouraging decentralisation and increasing job
prospects for those wanting to move to the region, as well as remote working opportunities for
people employed (or outsourced) by start-ups in other areas.

There is growing start-up support activity being developed across the region, however much
work is still yet to be done to support a well-connected entrepreneurial ecosystem across the
Central West. The issues experienced by start-up businesses in Central West NSW are wide
and varied, and depend on the nature of the business.

We trust that our feedback will be of assistance to the Commission. We also welcome any
further opportunities for input to the inquiry and invite the Commission to Central West NSW for
further regional engagement, should they so wish.

Yours faithfully,

Julia Andrews
Interim Executive Officer

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Regional Development Australia (RDA) Central West

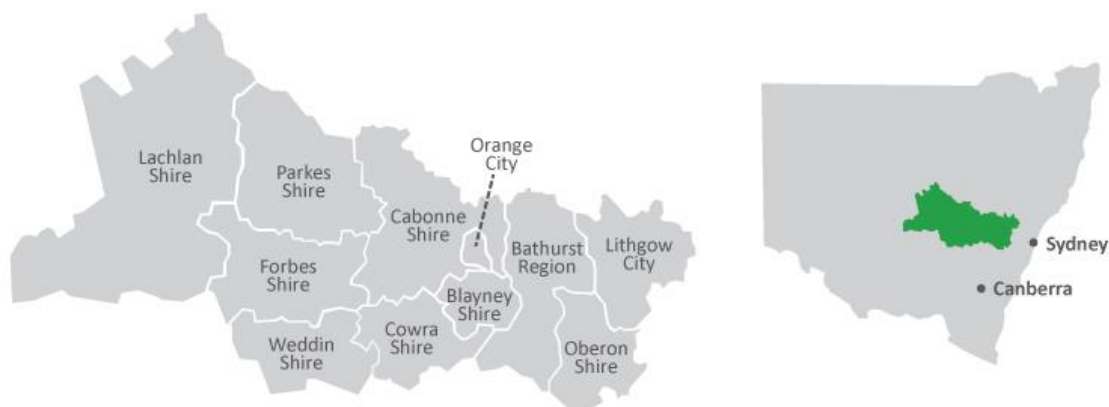**Submission to the Legislative Assembly, Committee on Investment, Industry and Regional Development**

Inquiry into Support for Start-ups in Regional NSW, July 2017

Legislative Assembly Committee on Investment, Industry and Regional Development, Inquiry into Support for Start-ups in Regional NSW - Response from RDA Central West

Background and Introduction

Regional Development Australia Central West (RDA Central West) is a not-for-profit organisation, funded by the Commonwealth and State Governments, bringing together business, community and Local Government to further the economic development and long term sustainability of the NSW Central West region.

Approximately 174,000 people live in the region, which comprises the Local Government Areas of Lithgow, Oberon, Bathurst, Blayney, Orange, Cabonne, Cowra, Parkes, Forbes, Weddin and Lachlan.

One of the strategic objectives for the RDA Central West region is to be 'recognised [as a] nationally competitive region that actively builds on existing and emerging strengths'.[1] The organisation has identified that from a regional perspective, supporting innovation and industry development is core to creating this competitiveness.

There is growing start-up support activity being developed across the region, including the newly funded Upstairs Incubator[2] and Gunther's Lane[3] technology hub (downstairs) in Bathurst, as well as CenWest Innovate[4] (Charles Sturt University) programs providing some outreach across the region but also based in Bathurst.

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[1] RDA Central West, 2017, 'Strategic Planning Framework'. http://www.rdacentralwest.org.au/region/regional-plan/
[2] Upstairs Incubator, http://upstairsincubator.com.au/
[3] Gunthers Lane, http://www.guntherslane.com.au/
[4] CenWest Innovate, https://innovate.csu.edu.au/incubators/cenwest

There appears to be demand from start-up businesses and also small-to-medium enterprises (SME's) for these programs, incubators and co-working spaces in other communities right across the region.

Much work is still yet to be done to support a well-connected entrepreneurial ecosystem across the Central West.

Terms of Reference

Methodology

The information provided in this submission is based on RDA Central West consultations with a variety of start-ups across the region, varying in stages of development, industry and location. These consultations involved a number of in-depth one-on-one phone interviews, face to face meet ups and shorter email inquiries made to the organisation over the past 12 months.

Issues experienced by Start-ups in Central West NSW

The issues experienced by start-up businesses in Central West NSW are wide and varied, depending on the nature of the business. These include:

1. Soft infrastructure – Training, mentoring and networking
2. Funding and Investment
3. Government as a 'good customer'
4. Wages
5. Co-working spaces
6. Connectivity

Training, mentoring and networking

Access to targeted training and skills development in regional areas was mentioned by consulted start-ups as able to assist them, particularly in areas related to their product or service development.

There appears to be a role for online learning and training delivery, however this cannot wholly replace face-to-face training in some instances. Additionally, while many start-ups use incubators, not all startups require this kind of intensive development assistance and more demand-driven may be more appropriate.

Group learning, mentoring and start-up peer support can play a role in both knowledge-sharing as well as providing the emotional support among peers to ride the 'ups and downs' of starting or transitioning a new business. Industry-related meet-ups are also considered popular in some cases, though can require travelling significant distances to capital cities and taking this time out of the business to attend. Networking is often done locally, however providing networking opportunities on a regional scale can facilitate these connections that often don't occur over the vast distances between local communities.

The value of holding start-up related events to facilitate networking, mentoring and encouraging an entrepreneurial culture, cannot be underestimated. 21% of Founders and Future Founders surveyed in StartUp Muster 2016 considered 'attending startup-related events' as critical to the founding of startups.[5]

Having a well-networked entrepreneurial ecosystem across the region is critical for start-up success, not only to encourage new business and innovative collaborations to occur, but also to support each other and recognise who is out there in the region.

Funding & Investment

RDA Central West regularly receives inquiries from start-ups and small businesses across the region who are seeking investment, inquiring about funding opportunities or contacts to make connections.

There is a need across the region not just to connect those seeking investment with investors (inside and outside the region), but also upskilling businesses in how to source capital through a variety of different means. Building capacity to secure private capital and pitch businesses at pitch nights with potential investors could help address the issue of funding for startups.

Government as a 'good customer'

The Government is often considered to be a big potential customer for many start-ups in the region. Especially when sectors such as health are the third largest contributor to the region's GRP and the most significant industry employer in the region.[6]

However from a startup point of view, this is often considered a missed opportunity when it becomes too difficult to work with Government. Barriers cited by Central West start-ups include:

- Tendering process – described as a long-winded, drawn out process often requiring significant amounts of time to complete the tender (this can be over a week's work), often with little return on investment for smaller businesses. Time (and the costs associated with this) is considered extremely precious for startups and small businesses. There is the potential to reduce this burden on time-poor businesses by streamlining the process and/or introducing a staged approach so that less time is 'wasted' by unsuccessful tender applicants.
- Government Grants – in some instances there is considered to be a lack of transparency throughout this process (such as a lack of feedback or additional grants process information), and it can also be time-consuming.
- Collaboration with Government Departments– engaging with Government Departments to trial technologies in Government services and/or accessing Government Open Data sources can also be difficult.

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[5] Startup Muster, 2016, 'Annual Report', https://www.startupmuster.com/Startup-Muster-2016-Report.pdf , pg 7.
[6] RDA Central West, 2015, 'NSW Central West Regional Economic Profile', http://www.rdacentralwest.org.au/wp-content/uploads/2015/03/NSW-Central-West-Regional-Economic-Profile-2015.pdf

There is a need to make it easier for start-ups and small businesses to deal with Government. Creating a mandate to encourage collaboration and greater procurement through the start-up sector may be one possibility, if it is important to be considered a 'good customer' by start-ups and small businesses in regional areas.

In terms of the effectiveness of Australian and NSW Government initiatives to date, the organisation has received the following feedback:

- Start-up definitions – for many Government programs the definition of a 'start-up' is a quite well established business who is multiple years down the track, however many need support before this stage. There is not clear alignment between the definition of 'start-up' in the public and private sectors, and consequently when support can become available to them.
- Income threshold and business model criteria – high income thresholds and business model eligibility criteria (i.e. for cooperatives) can also exclude many businesses seeking assistance in regional areas (for example through AusIndustry's Accelerating Commercialisation program).
- Jobs targets – programs with jobs targets can also be difficult (as was the case in early iterations of the Jobs for NSW packages that required 10+ jobs be created in order to support businesses; this is very difficult for regional start-ups which may not reach this scale).
- Upfront cash – the design of programs which require upfront cash like the NSW Government's Tech Vouchers can be difficult for start-ups as well who are traditionally financially strained in these early stages.
- Funding + expertise – program models like the Australian Government's Farming Together program have received good feedback from our region, as good project ideas are nurtured and provided with the support and expertise needed to take them to the next level. It is seen as an iterative process working directly with people, rather than a 'black box' process to get funding.

Wages

Start-ups in the region who are conducting R&D or product validation themselves, can spend significant amounts of time on this while not earning a wage. They often need to work other (sometimes multiple) jobs to guarantee a stable income at this time, with less time spent on getting the start-up business up and running as a result.

Supporting start-ups at this stage in their development would assist in encouraging entrepreneurial activity in regional areas. Possibilities include scholarships or other initiatives to reduce wage stress on early-stage start-ups.

Co-working spaces

One of the biggest costs for start-ups is office space and so providing co-working spaces where businesses can hire a desk, room or access services on an ad hoc or ongoing basis is of great assistance.

The Upstairs Incubator located in Bathurst, which has recently received funding from the NSW Government, has received good interest in participating to date. However there appears to be demand for more co-working (and associated start-up support activities) in other communities across the Central West.

Nearly three-quarters (72.3%) of all startups surveyed by Startup Muster 2016 stated that they are using co-working spaces, with 54.5% using co-working spaces full time.[7]

Connectivity

There is an urgent need for robust, future-proof and wide-reaching telecommunications capabilities in Central West NSW, in order to capitalise on the opportunities that the start-up sector presents for regional Australia. Access to high-speed broadband with large data limits is critical for start-ups. Not only for technology-related startups but also to facilitate remote working and supplying contract workers located in regional areas to startups in other areas.

89.8% of start-up founders surveyed in Startup Muster 2016 declared that they had outsourced work in the last year, and in 70% of cases the primary country of outsources work was Australia.[8]

Telecommunications that is capable of connecting startups with workforces in regional areas is critical to capitalise on remote working opportunities, as well as for the operation of many start-ups themselves.

Funding to rectify priority mobile black spots[9], and transitioning more business premises and communities off the SkyMuster satellite and onto fixed wireless or fibre options, will assist in improving telecommunications connectivity across the region.

Digital platforms that can facilitate this connectivity between remote workforces and startups are also critical for the development of the sector in regional areas. This has been shown by Riverina startup Go Remote, experiencing large demand from businesses wanting to find remote workers with specific professional skills.[10]

Startups who outsource work to regional areas also has implications for assisting the region to transition to a more knowledge and service-based economy. Professional, scientific and technical services are one of the largest imports into the region[11].

[7] Startup Muster, 2016, 'Annual Report', https://www.startupmuster.com/Startup-Muster-2016-Report.pdf , pg 9.
[8] Startup Muster, 2016, 'Annual Report', https://www.startupmuster.com/Startup-Muster-2016-Report.pdf , pg 12.
[9] In 2016, there were 369 reported mobile black spots across Central West NSW alone.
[10] Pennie Scott, 25 April 2017, *The Land*, 'Go remote appeals to professionals anywhere', http://www.theland.com.au/story/4613315/go-remote-appeals-to-professionals-anywhere/
[11] RDA Central West, 2015, Invest NSW Central West, http://www.investnswcentralwest.com.au/opportunities-by-region/invest-nsw-central-west/