

**Submission
No 35**

SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES

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The Hon. Katrina Hodgkinson MP
Legislative Assembly Committee on Investment, Industry and Regional Development
Parliament of New South Wales
Sydney NSW 2000

Sent via: investmentindustry@parliament.nsw.gov.au

Dear Ms Hodgkinson,

Re. Support for Start Ups in Regional NSW

NSW Farmers welcomes the opportunity to make a submission to the Legislative Assembly Committee on Investment, Industry and Regional development inquiry into regional startups. NSW Farmers' submission will address the inquiry's term of reference.

This response assumes that the inquiry is about digital startups; however, many of the observations made here apply to other forms of entrepreneurial activity in regional NSW.

A start-up friendly ecosystem is something that requires an effective strategy of affordable / accessible communal working space, multiple transport linkages and ease of use, access to technologies, infrastructure that supports and keeps pace with advances in technology, affordable housing and cost of living, culture of community events, sport and entertainment, and access to advice, business networks and education.

Having a great idea, insight into market needs, and individual talent is necessary, but is not sufficient to the success of a digital startup. Digital connectivity, access to a client base, access to capital, and local availability of human resources processes are all key factors. While twelve months ago there were no accelerator programs for agricultural & food tech in Australia, there are now five, which are all based in Sydney or Melbourne. Startup talent wants all the functions that a city provides with the encouragement and freedom to make their own stamp on the region.

With regard to agritech startups, regional entrepreneurs have the benefit of being embedded in the operating environment that their product aims to service. They are likely to have first-hand knowledge of the needs of their client group and the practical challenges that need to be overcome to provide a genuinely useful digital solution.

While this domain knowledge is of great value, regional entrepreneurs when compared to their urban competitors are likely to have poorer access to capital and skilled human resources, and are likely to suffer inadequate digital connectivity due to poor regional telecommunications services. When young regional entrepreneurs approach local government to discuss initiatives and submissions for grant funding, they are often given the message that it's too difficult to accommodate them within current government programs.

Despite these challenges, talented regional entrepreneurs may be able to develop a 'minimal viable proposition' within their own resources – i.e. the prototype and business case sufficient to attract investment. The next steps down the pathway to market become increasingly difficult, however.

An entrepreneur may be brilliant at digital technology but have very little idea of how to chart the complex legal minefield that surrounds digital intellectual property, corporate governance and the shepherding of a promising concept through to a commercial product. Accessing the necessary skills and services is likely to be harder and more expensive from a regional location.

Lastly, running a startup is a risky and often lonely business. In addition to these challenges, there is also a more abstract factor in play, which is isolation from the cross fertilisation and moral support provided by the urban digital

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industry and its community of practice. This is the primary reason urban digital entrepreneurs gather in shared work places such as Fishburners in Ultimo rather than working from their garage or lounge room.

The Association welcomes the NSW Government's interest in this space and hopes that the outcome of this inquiry will see the development of infrastructure that will empower and support startups in regional NSW.

A. THE EFFECTIVENESS OF STATE GOVERNMENT POLICIES AND PROGRAMS AIMED AT SUPPORTING START-UPS IN REGIONAL AREAS

We recognise that there are a number of policies and programs to support regional startups; however, these initiatives can lack effectiveness when they are not well understood. Some young producers report to us that they are unaware of any current infrastructure or policy for startups in their region.

It is encouraging to see NSW Government creating regional shared workspaces such as the hub being created by DPI in Orange. Further, the Regional Growth Fund and the Stronger Country Communities Fund both can play key roles in improving the viability of regional startups. NSW Farmers would welcome the opportunity to be involved at foundation and strategic level in the roll out of these two funds.

Speed and agility in the provision of government support to digital innovation is critical. The world and our trade competitors are moving faster than NSW.

In the agribusiness sector we see massive opportunities in the realm of premium fresh food export. We have world's best goods but exporting these profitably depends on strategic investment in advanced packing and processing facilities, advanced cold chain solutions, and advanced traceability, digital compliance, authentication and marketing solutions.

Our comparative advantage – and achieving the NSW Government's target to double the value of agricultural production – depends on our ability to fund and integrate these new technologies.

Regional startups, led by people who truly understand the business priorities, are a critical element in achieving the step change required in the capability of regional industry.

It should be noted that NSW Farmers is a partner with CISCO, NSW DPI, CSIRO and UNSW in Innovation Central and has welcomed NSW Government support for the initiative. Innovation Central is a laboratory and support service open to digital entrepreneurs in the agritech and smart cities domains. Its present focus is the realm of data integration and security, sensor technology and networking, i.e. the foundation technologies required to underpin a viable ecosystem of digital services in regional Australia.

B. POSSIBLE NEW INITIATIVES AND REFORMS TO REDUCE BARRIERS AND CAPITALISE ON THE ADVANTAGES ASSOCIATED WITH REGIONAL START-UPS

Lack of viable digital connectivity is the primary barrier to regional startups. This is for two reasons:

- Digital professionals need high speed connective to perform day to day work.
- Regional clients are unlikely to purchase services that cannot be used (or fully leveraged) in the absence of connectivity.

As an example, agritech accelerator program SproutX offers engagement opportunities for people based regionally. A pre-accelator program live-streamed workshops to participants through Facebook at the end of 2016. This set-up was designed to allow people to connect remotely; however, a telephone line was required for participants in regional areas whose connection was too poor to watch the live stream.

While it is encouraging to see the creation of regional shared workspaces such as the hub being created by the Department of Primary Industries in Orange, bricks and mortar have a long way to go towards a commitment for regional startups. Creating startup zones in areas outside city centres would see areas flourish attracting business, employment, infrastructure and growth.

A number of functional changes are required within these centres before these hubs can thrive:

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- Start-up hubs outside of the CBD can enjoy the entrepreneurial atmosphere required to foster innovation – unconstrained by the principles businesses and corporations operate by.
- As areas flourish their attractiveness increases – for people to base their family and business in these centres it needs to support them culturally, align with their lifestyle expectations and demographic that enables them to form connections and partnerships with the community.

High-tech regional hubs with dedicated bandwidth

There is an opportunity to harness the Regional Growth Fund and the Stronger Country Communities funds to support the formation of hi-tech hubs and in many key regional centres. Priority towns in this regard would include Port Macquarie, Griffith, Albury and Dubbo. These areas are established ancillary service and transport nodes, with surrounding catchments of high value agricultural production.

NSW Farmers would welcome the opportunity to participate in a process to identify the best strategic locations.

Access to state-of-the-art telecommunication and networking infrastructure with dedicated bandwidth (not subject to the traffic-driven log jams typical of current consumer services) is critical to the regional startup industry. The practical economic barriers to providing true broadband to low density regional users are well known. Shared work spaces, however, in key regional nodes could be established relatively cheaply and quickly.

Speed of implementation and an 'agile' approach is critical. We would hope to see 'stage 1' centres established and connected within six months. Existing office space can be adapted. The key thing is providing regional entrepreneurs with an office or desk where they can connect to the world at viable upload and download speeds. The establishment of such centres should be preceded by research to validate the scale of local demand for the service. Long lead times and special construction requirements, however, would be counterproductive. We rather see many inexpensive 'pop up' centres under a 'stage one' roll out, than one or two expensive white elephants that take years to commission. Local uptake would identify where dedicated buildings and larger investment is warranted.

Naturally, such an initiative would require close consultation with NBNCO.

Recognising the needs of digital industry in regional development and local government strategy

Improving the general services and vitality of a town helps attract human resources and increases the sustainability of local entrepreneurial activity.

In this regard, we would like to see explicit identification of digital industry goals in region development and planning and local government strategy.

In the absence of a strong local community, successful regional startups are likely to relocate to urban centres once they progress beyond initial phases of development.

There is a chicken and egg problem here which can be addressed by smart strategic initiatives. For example, a town such as Port Macquarie has many of the attributes required to attract a permanent digital work force: a university, a base hospital, a range of good schools, an attractive lifestyle.

A high tech start up hub located in this town could enable the diversity and depth of digital industry needed to sustainable a viable employment pool. This in turn would create local graduate opportunities, helping to address the drain of young talent from the region.

We hope to see the Stronger Country Communities fund providing explicit programs in this regard.

eGovernment and electronic service delivery

Digital supply chain solutions, traceability and smart packaging are all fertile areas for startups. The viability of this commercial ecosystem depends, however, on government stepping up to digitise its part of the ecosystem – for example, inter-governmental agreements to implement digital trade, compliance and certification processes.

NSW Farmers would welcome the opportunity to engage with eGovernment initiatives in this domain.

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C. POLICIES AND PROGRAMS IN OTHER JURISDICTIONS

We recommend that the Committee commissions a rapid desktop evaluation of digital innovation programs pertaining to food and fibre and operating in the jurisdictions of our key trade partners and competitors.

For example, Chinese cross border ecommerce zones are creating massive opportunities for direct export of premium goods that our competitors are exploiting more effectively than we are.

The value of Chinese online trade in 2017 is projected to be more than \$1000 Billion AUD.



Chinese majors such as Alibaba and Yigou operate advanced end-to-end cold chain distribution systems that make it possible to market premium foods directly to customers on a paddock to plate basis. This is contingent, however, on our capability to consumer pack goods in appropriate formats in Australia, and stream line shipping and compliance processes to maximise in-market shelf life. USA, Canada and New Zealand are ahead of us in this respect.

Examples of US fresh goods sold on the Alibaba Tmall platform with US government support for digital marketing are given below.

American Pork Promotion

喵鲜生
Tmall Fresh

US pork sold: >16,000 lbs
Total Shoppers: >80,000 people
> Included recipe tips and promoted US culinary culture



US Northwest Cherry Promotion

喵鲜生
TMALL FRESH



Cherries Sold:
168 metric tons
Total Orders:
84,000+



Shipped from **US** to
China within 72hrs

American Washington Traceable Apple

喵鲜生
TMALL FRESH



In the News



➢ Sold: >1.2 million pcs
➢ First traceable fresh food



D. ANY OTHER RELATED MATTERS

NSW Farmers wishes to participate actively with NSW Government in strategic discussions regarding the NSW digital industry and eGovernment solutions across all areas of economic development. Digital technology is breaking down the distinction between regional and urban NSW.

The regional/urban interface is critical with regard to transport logistics and trade – how goods are ordered and marketed, and flow in and out of cities. Digital technology is disrupting the agribusiness supply chain, removing redundant intermediaries and creating a host of opportunities to engage more directly with domestic and global customers and remove costs and wastage from the system.

Initiatives currently being advanced by NSW Farmers such as urban agriculture precincts, agriports and smart grid and distributed electricity generation solutions are all underpinned by digital technology.

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Should you wish to discuss any of these issues further, please do not hesitate to contact David Eyre, GM Research & Innovation on [REDACTED] or Isabella McDougall, Policy Advisor, on [REDACTED]

Kind regards,



Matt Brand
CHIEF EXECUTIVE

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