

**REPORT ON PROCEEDINGS BEFORE**

**COMMITTEE ON INVESTMENT, INDUSTRY AND  
REGIONAL DEVELOPMENT**

**SUPPORT FOR START-UPS IN REGIONAL NSW**

**At Coffs Harbour on Tuesday, 29 May 2018**

**The Committee met at 9:40 am**

**PRESENT**

Mr Michael Johnsen (Chair)

Mr Greg Aplin

Mr Clayton Barr

Mr Adam Crouch

Mr David Harris



**The CHAIR:** I declare the hearing open. Thank you for attending this public hearing of the Committee on Investment, Industry and Regional Development. Today we will be taking evidence in relation to the Inquiry into Support for Start-ups in Regional New South Wales. Before the proceedings begin, may I remind everyone to switch off their mobile phones as they can interfere with the Hansard recording equipment. I note that the Committee has resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines governing coverage of proceedings are available. I will also remind everyone that a transcript of evidence will be made and published by the Committee.

**STEPHEN SAUNDERS**, Section Leader, Industry and Destination Development, Coffs Harbour City Council, sworn and examined

**FIONA BARDEN**, Business Development Coordinator, Coffs Harbour City Council, sworn and examined

**The CHAIR:** Do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Ms BARDEN:** No.

**Dr SAUNDERS:** No.

**The CHAIR:** Before we commence with questions, would either of you like to make a brief opening statement?

**Dr SAUNDERS:** I would like to do that. Thank you very much for the opportunity to speak to you concerning the important issue of start-ups in regional New South Wales. The support of the start-up and entrepreneurial industry in Coffs Harbour is a key element of our economic development strategy, which was adopted by the council late last year. The digital and innovation economy is a key pillar of our growth going forward and we have rather the conclusion that while bricks and mortar is important in terms of promoting the growth of that sector, the culture of entrepreneurship and innovation within the community is equally, if not more, important.

One of the things that we have done since making the submission is to commence support for a pilot program called the Youth Entrepreneur Program. I am going to circulate a promotional flyer on this. In essence, what this is, is supporting high school youth to go through a structured program on what it means to be an entrepreneur, and through a facilitated program pick up skills over a 20-week period that would enable them to either move into an entrepreneurial type environment or enhance their employment skills and their employability. The program has the support of business mentors from within the community. We were fortunate to secure partners in this with the Woolgoolga & Northern Beaches Chamber of Commerce. Woolgoolga is one of our important town centres. We were also fortunate to secure the support of the Woolgoolga High School and their principal. One of the things that we would be looking for over time is to roll this program out across our local government areas, specifically looking for the support of the Department of Education in that area, which has not been fully forthcoming at this point.

We also have as part of our program of events, this Saturday—my apologies, this is the last piece of paper to circulate—we have an annual innovation event. If you could imagine something a bit like *Shark Tank* on television, but a much friendlier version. We run an annual event called Startup Coffs Coast where from across the region, from Clarence all the way down to Nambucca shire, across to Bellingen shire, we attract entrepreneurs to come and pitch their new business ideas. They compete for prizes. We have an independent set of judges. This year we have a program of speakers, many of them from outside of Sydney, who are experts in the start-up field. We also have a robotics exhibition and workshop put on by Macquarie University. I wanted to give you a sense of some of the events that we run to support start-ups within our area. We are also in the process of entering an expression of interest for the Local Innovation Network grants through Jobs NSW. That entry will be in by close of business on Friday.

**The CHAIR:** Ms Barden?

**Ms BARDEN:** I am fine.

**The CHAIR:** You mentioned the Department of Education to date not being "forthcoming", to use your word. Can you go into more detail? What is it that you want or are looking for from the Department of Education?

**Dr SAUNDERS:** Two types of support. One is financial support, but not necessarily in a significant way. The second is access to schools and willingness to pick up this program and adopt it. Clearly, there are important considerations around working with children, which have to be met every time we have these workshops, and we do not have any issue with that at all. We have been through our partners trying to secure support for the program and the roll out of the program across New South Wales from the Department of Education. That does not seem to have been reciprocated at this stage. Whether it is a matter of the right people not getting the message or the communication, I do not know. We understand that the program is in its early stages but we think that it is a very important initiative to support in some way.

**The CHAIR:** Have you been in contact with, in the first instance, local school principals?

**Dr SAUNDERS:** Yes.

**The CHAIR:** Is that where the barrier is coming from?

**Dr SAUNDERS:** No.

**The CHAIR:** Where is the barrier coming from?

**Dr SAUNDERS:** Probably from the local regional structure in the first instance. We do not think it is necessarily any particular individual. It just has not made it up the list of priorities. We have requested and received some input into the working group that we have established so a representative has been invited. This person does not seem to have been able to make much progress in terms of securing support for what I would have thought was an important program for them.

**Mr GREG APLIN:** Thank you. I am Greg Aplin from Albury, another regional area. Following up from the Chairman's questioning, I noticed that the council is associated with both of these programs for the start-up Coffs Coast flyer you have just circulated. What age groups are you aiming at? What is the general theme? When you mention schools, obviously we know we are dealing with the upper years 10, 11 and 12?

**Dr SAUNDERS:** Yes, year 10.

**Mr GREG APLIN:** What would your expectation be for these particular programs in terms of age group?

**Dr SAUNDERS:** This is a pilot program so part of the purpose obviously is to test exactly that. That technical term that I have heard used is what is the cohort but, yes, the age groups will certainly be in that year 10 area. In working with one of the key partners, they have secured some support from Jobs for NSW, I believe, and the Department of Industry in taking aspects of this program into an older age cohort. They are just about to commence that process—that is HR Werx, which is mentioned there. I believe that is for a culture of innovation and entrepreneurship to be established. We need to be starting at an even younger cohort now. I do not have the technical understanding of education to know exactly what age group but if we are looking for cultural change, it needs to start at a relatively early age.

**Mr GREG APLIN:** To follow up there, I notice that the course overview for the Youth Entrepreneur Program—and clearly the operative word there is "youth"—is run over two terms for the 20 weeks. It is run between 2.00 p.m. and 5.00 p.m. Is the expectation—you mentioned the cooperation of the high school locally—that you will be securing students to participate in that course?

**Dr SAUNDERS:** Yes.

**Mr GREG APLIN:** And will it be part of their higher school certificate [HSC], for instance?

**Dr SAUNDERS:** We know that it is not going to be part of their HSC but they will receive some certification credits which can be applied to further studies.

**Mr GREG APLIN:** That is very exciting.

**Dr SAUNDERS:** I must stress that in this case the cooperation that we receive from the principal, who is extremely progressive, Mr Guy Wright, has been outstanding, and the school has wholly endorsed it. That makes it easy for us to get behind it and support it.

**The CHAIR:** Who wrote the course content?

**Dr SAUNDERS:** HR Werx, which is the company that is listed on there. Ms Cherie Topfer, who is a specialist in this type of work, had previously also worked with youth up in Gladstone in Queensland, with the Evaluation and Quality Improvement Program [EQuIP]. A lot of the skills that we are talking about are identified as enterprise skills so there are aspects of that around in the market. It is just putting it together into a format that works for youth, which has been the key thing that they have done.

**The CHAIR:** We are going to play devil's advocate here.

**Dr SAUNDERS:** That is all right.

**The CHAIR:** Do you think entrepreneurs are born or made?

**Dr SAUNDERS:** Both.

**Mr CLAYTON BARR:** I am going to ask you some questions about your submission. I do not know if you have it there. I want to start on page 3 under subheading (b), second paragraph. It talks broadly about regional jobs in New South Wales but then you talk specifically about 95 per cent of businesses being micro, with 0-5 employees. Do those micros tend to locate themselves in commercial premises or do they tend to operate from a base at home?

**Ms BARDEN:** A large proportion of them operate from home-based businesses; there are some in commercial. If you walk down the main street of Coffs, lots of the smaller businesses that are not franchise operations—they are set up by themselves here—only will have possibly a husband and wife working in them or maybe one employee. The majority of our businesses here in Coffs have small numbers of employees.

**Dr SAUNDERS:** Yes, 95 per cent.

**Ms BARDEN:** Yes, they are generally sole traders, with maybe one or two others. Depending on what industry they are in certainly will depend on where they are found.

**Mr CLAYTON BARR:** The bottom paragraph of your submission states, "Coffs Harbour City Council currently operates a co-working space". Could you tell us about that? What is that?

**Dr SAUNDERS:** Our program is called Six Degrees and it was specifically chosen to be different to the corporate branding of council because surprisingly not everyone is a fan of councils being involved in business.

**Mr CLAYTON BARR:** It must be a bit different up here to everywhere else in the State?

**Dr SAUNDERS:** Yes. We started off with a weekly program at a co-location site with a college. We have now moved that to the innovation hub out at the campus. I believe the manager of the innovation hub is appearing later. The whole idea was we thought when we first picked up on that model that, as per in the metropolitan areas, rentals would be a reason why people would be looking for co-working space. That is certainly part of the reason why they do, but we also found more importantly the social aspects, being the networking and collaborating with colleagues, was very important. We have now established a second co-working space out at Woolgoolga with the Woolgoolga Chamber of Commerce because we noticed that quite a number of our entrepreneurs were coming from there. It is some distance away—20-odd kilometres—and we also want a presence there.

Part of our strategy, in the economic development strategy, is to create little pop-up hubs, some more formal, some less formal, in all of our village areas over time. We are on record as saying that we want to do another one of those in Sawtell and we will also be looking at other areas. The whole idea is to make it easy for people to access the internet, be able to do their work independently and one of the business owners that I know of actually works internationally but from Coffs. He has a network of contractors who work for him predominantly over the internet in Norway, Europe and so on. At first I thought that was unusual but it is not unusual at all. We have maybe half a dozen who would fit that description. The second thing is that the co-working space, apart from bringing people together, also enables us to run supporting programs. Those involve monthly pitch sessions, we call them Pitch Your Passion, that people who are at a very early stage and who are wanting to pick up the skills and hone their elevator pitch can come to. Often it is a lunchtime event that we support.

We also have what we call salons, which I think is a fancy French name for a bit of a seminar over drinks and nibbles typically in the evening. If we have a speaker from out of town particularly coming up to do a workshop we will then ask them to run a salon on a particular technical topic. There would be a bit of a panel discussion and then a lot of networking. Then we have the Start-up Coffs Coast competition. We have used Six Degrees and the co-working space as a place to make it an easy point of entry for entrepreneurs. It is not expensive. I think we have a \$50 fee which does not come to us, it goes to the particular premises per annum. At the innovation hub there are also peppercorn rentals on some of the premises there.

**Mr CLAYTON BARR:** When your submission says that Coffs Harbour City Council currently operates a co-working space, does council primarily fund that and provide the human resource to coordinate it?

**Dr SAUNDERS:** Yes.

**Mr CLAYTON BARR:** I want to go to that very point about whether or not start-ups need a bricks and mortar location. Do they need the hardware for the work or do they need the social softer side, which is the collaboration and the social interaction? Being at home can be very isolating. I asked my first question about where most of these people are operating from and we acknowledged that most of them are operating from home. If you have got the internet you have got the whole world. Why do you need to come and sit at a desk in a room with dozens of other people?

**Ms BARDEN:** One of the things that we find is that a typical co-working space in a metro area is used very differently to a co-working space in a regional area such as Coffs. As an example, one of the ladies who uses our co-working space is a massage therapist for disabled people. That is what she does from home. She has a three-bedroom house. She uses one of her rooms for massaging, one is a waiting room and then her other room is for personal use. She comes to our co-working space one afternoon a week to do her paperwork and to do her marketing because she can also ask people questions about what sorts of things she should be putting into those.

So, yes, it is a social interaction but it means she is not taking up three rooms in her house to run her business and having nowhere to live.

There are a couple of different opportunities around co-working space. In a regional area, yes, people often work from home because of lots of situations, some of them to do with child care and some of them to do with it being the best place financially to run it, but their social interaction is probably something that is needed and the opportunity to get input from other people. The co-working space is operated, as Dr Saunders mentioned, at a couple of different locations with a variety of partners. We essentially one day a week have a staff member in those co-working spaces to support programs but then the space is available for private use at all times.

**Mr CLAYTON BARR:** How many separate business entities would you see at your co-working space?

**Ms BARDEN:** At the innovation hub we have at least 10 of our desks that are used as hot desks every day. That might be 10 businesses a week, but it might be 50. It depends how often they need to use that. In our database of our Six Degrees we have a membership of 400 now I think.

**Dr SAUNDERS:** It is 450.

**Ms BARDEN:** It is 450 now. That is who has access to use that. Some people may use it just for a meeting room. If they have got someone from out of town who they need to meet with they might come in and use that facility rather than having someone meet in their lounge room.

**Mr CLAYTON BARR:** But you do not keep data or track how many separate business entities come and use that space on a daily or weekly basis? There is not a sign-in book or something?

**Ms BARDEN:** We do not have a sign-in book, no. It is about their use of the space and if the space is available. The manager of the innovation hub this afternoon will be able to give you a better rundown of how many different people use that. We know that the desk space is pretty much full most of the time. I do not know whether they are the same people or different people.

**Dr SAUNDERS:** My apologies, I have just found specific numbers for you on that. This is something that we compiled for Jobs for NSW as part of our process of discussion with them. We have 14 permanent desks that are occupied more than three days a week. We have 10 desks that are occupied for less than 10 paid days a month. Our total membership paying within what we call the ecosystem is 450 and that has been growing at a rate of approximately 50 per year.

**Mr CLAYTON BARR:** Thank you for the detail. The second last sentence of the second last paragraph on page 4 says, "Council would be happy to administer smaller grants per business on behalf of the State." Earlier you indicated that the \$50,000 was a bit too much and a bit too hard and 10 employees is too far away. What would be the small grant amounts that you think would be useful for the start-ups that you are seeing around the Coffs area?

**Ms BARDEN:** To just make a statement before that, \$50,000 would be lovely for them but to have \$50,000 of matched funding becomes a difficult thing, which is what most of the grants are for. Therefore, for them to have matched grant funding, to apply for funding amounts up to \$10,000 would be probably the most available for people. Between \$2,000 and \$10,000 would allow them to apply and they would have multiple opportunities to apply for that. As the business grows then they may be able to apply for that at a different opportunity. We are not saying that \$50,000 is too much but the matched funding is probably more difficult for them to do.

**Mr CLAYTON BARR:** Is one of your criticisms of Jobs for NSW that the financial structures are a bit elusive?

**Ms BARDEN:** Yes.

**Dr SAUNDERS:** Historically, yes. I am not saying this purely because we are about to put in an expression of interest, but we have noticed a change in the last year where there is more flexibility coming into their thinking. I think they have realised that to achieve their objectives in terms of regional growth they have got to think in a different way. It remains to be seen whether that is all followed through but certainly that has historically been an issue. We have long ago moved away from the position of purely thinking in terms of tech start-ups. Tech start-ups are great but any start-up is good in a regional setting. We know that most of the start-ups that come along do have a digital component somewhere along the way but the digital aspect is not the be-all and end-all of it; it is a means to an end. I can remember two years ago having a discussion with Jobs for NSW and it was all about technology start-ups and matched funding and 100-seat incubators. They say, "Tell us how many seats you are going to fill." That is a Sydney comment. I have lived in Sydney for eight years. That is why I am here in paradise.

**Mr CLAYTON BARR:** In the middle paragraph you say, "We have a strong belief that instigating a start-up hub for these more traditional sectors ..." I found that to be quite a strange set of words because, as you said, traditionally we think of start-ups being in technology but you are talking about traditional sectors. Can you give us an example of that?

**Dr SAUNDERS:** From what I can see on the program, the Committee will see Louise Hardman of The Plastic Collective a little later. That is a business that does not utilise much in the way of digital technology at all. It is built around recycling of plastics and waste. It is an area that is very focused on the environment. We have a number of environment-related businesses and I see that as more of a traditional type of business. What they are doing is innovation within an existing type of category, as it were. Innovation is not purely about technology; it is often the case, but not always. Sometimes it is about changing processes and finding users for products.

**Ms BARDEN:** One of the other big industries in the area is agriculture. At the moment, we essentially just ship out whole products. Part of the Startup Hub for traditional businesses is how we make more from their product. Blueberries are a quite large industry here but we just give out or sell whole berries. What are some of the ways in which we can reduce waste of that product? By what sort of techniques can we put that into different food products and add value to it? How do we help businesses on that journey? Starting up a commercial kitchen is a very expensive exercise which is needed to deliver a food value-added product.

Is there a way that we can work with different bodies to enable a commercial kitchen which anyone can come in and use during that start-up phase while they are understanding whether that product is worth it, and whether is it going to grow their business enough to do it themselves wholly and solely. That is where they are coming from with the Startup Hub for traditional businesses. It is not about just delivering the way that it has always been done but asking what additions can be made to those traditional industries through sometimes quite expensive infrastructure so that they can learn and understand to grow their businesses.

**Mr CLAYTON BARR:** That is a great example. I will now ask my last question. You mentioned earlier about the \$30,000 prize or prizes. You also mentioned \$10,000 earlier—\$5,000 or \$10,000. Is that a one-off prize or do you have three winners who each get \$10,000 each or six winners with \$5,000? Who funds it?

**Dr SAUNDERS:** We have two prizes. I will come to the funding in a moment. We have a prize of a \$20,000 value and a prize of \$10,000 value in essence. We have a couple of smaller prizes along the way but they are not material. Council funds approximately half of that and it comes out of our industry and development budget. We also look to secure sponsors—preferably local sponsors but that is not always the case. We have found some interest in regional activity in this area from larger companies. As part of it, council sponsors it to make sure that is going to happen. We then go out and look for some sponsorship to support that.

It is not necessarily from the perspective of financial support. Part of the competition is all about exposing people within the ecosystem to new partners as well. It is not only about the main prize. On the day, we also have what we call the Startup Alley which is a less formal structure where people can essentially come and put up their stall and use that as a way of testing their product by doing questions and answers with people who are coming to the event.

**Mr ADAM CROUCH:** I will extend from Mr Barr's many questions. You mentioned earlier that there was difficulty in obtaining \$50,000 co-fund because it is such a large amount of money. You also mentioned that while you are seeing a change, there are still a lot of difficulties and a small amount of money would be helpful. Given that, how do you see the start-ups in the region currently getting their funding? If it is so difficult to get \$50,000, what is the way in which most of the smaller start-ups that you mentioned earlier are achieving their funding?

**Dr SAUNDERS:** There is a mixture. Some of them have had Minimum Viable Product [MVP] Grants from Jobs for NSW or Department of Industry. Others have received finance from places like the Many Rivers Microfinance Limited which specialises in micro-finance. A fair number have had family members putting money into their businesses. Having been in a start-up environment myself in a former life, it is sometimes a case of getting your first big plan so that you have some revenue and cash flow that then funds the next development of the product. In the agricultural sector, we have a market structure that we use to help people in the agfood area. They come on Thursdays to a very low-cost market where they can test their product. For example, one of our leading products which won a silver award at the Sydney Royal Agricultural Show is Blushing Blueberries. It is a set of cordials and—

**Ms BARDEN:** Condiments.

**Dr SAUNDERS:** —condiments—that is the correct word—using blueberries. That person has come through that system at the market as well, so there are many different ways. What we find is that many of those



who are looking to enter the space find the amount of paperwork and the processes quite confronting and it seems too hard for what are relatively modest amounts of money.

**Mr ADAM CROUCH:** You also mentioned earlier about the Six Degrees Co-working hub and how council deliberately rebranded it so that it was not seen as a council enterprise. Can you explain what was council's involvement with Six Degrees other than the branding? What other process was behind that?

**Dr SAUNDERS:** We researched the whole concept and developed some very basic but intellectual property around how to run it. We went out and secured some space on a flexible lease arrangement—in that context, the council is not interested in taking out long-term leases, as you can imagine. We also marketed the program. We funded the collateral and put it together. We fund all the events that are mentioned—the drinks and nibbles networking and all that sort of stuff—as a way of giving people the opportunity to come together. We have tried, as far as possible, to remove barriers.

The distinction is that we see the entrepreneurial journey in this case as a bit of a funnel. Down one end of the funnel we are looking to inspire people to consider going down that journey. That is predominantly what council's role has been—to give them some skills along the way and, at a point, coming out the other end which is where we are starting to now look at more of an incubator and accelerator type of environment. That is where there is more role for the private sector. That is the next bit that we are looking at. Apart from the obvious economic and social benefits, we are doing this because the market is not doing it on its own in a regional context.

**Ms BARDEN:** Some of the other things that we are part of is that we have to look for new opportunities for our start-ups in the area. That is done through Six Degrees. One of the things that we did last year with our start-ups was that we hired a stand at StartCon and took them to that. We took 20 of our businesses down there with us so that they could experience what that was. They were also promoting that you can do things like this in a regional area. It is far better for that message to come from a business owner who has done it rather than a council worker saying this is a great thing to do. We found opportunities like that. One of our start-ups was able to pitch at StartCon. It gives them a different experience in that realm. We also look for different opportunities for grant funding. We might assist them with either introductions or writing applications.

**Mr ADAM CROUCH:** That leads to my question about how council assists. You mentioned the Six Degrees Co-working Hub at Woolgoolga. How did council identify Woolgoolga as the location to assist with setting up the hub? What was behind the choice of Woolgoolga?

**Ms BARDEN:** That is our second co-working hub. The first one is in Coffs Harbour and now there is one at the university innovation hub. Woolgoolga was chosen mainly because we received Future Towns Program funding for the township of Woolgoolga and looked at doing digital activation there. One of the things we realised through that process of investigation of what to do with digital activation was the need for space for people and networking opportunities. As Dr Saunders mentioned earlier, a number of the cohort who came to our Six Degrees events in Coffs Harbour were already from that location.

**Mr ADAM CROUCH:** You identified people attending who lived in Woolgoolga and it was a logical choice. Was the funding you received through—

**Ms BARDEN:** The Future Towns Program.

**Dr SAUNDERS:** It was the Department of Industry, Office of Regional Development. I want to clarify something. The co-working space ultimately grew out of that funding, but it was actually for running workshops and building a capability. We had a happy coincidence of funding people who were passionate. At the end of the day, we are not going to try to do everything ourselves; we want to find people who are passionate and interested. I do not know whether there is something in the water at Woolgoolga, but there is certainly a cohort there. We have worked with the chamber of commerce to transform that into a modest but a good start in terms of the hub.

**Mr ADAM CROUCH:** You mentioned that 95 per cent of small businesses are working from home.

**Ms BARDEN:** No, 95 per cent of our businesses are small businesses, and a majority of those work from home.

**Mr ADAM CROUCH:** So it would be a huge benefit to an area like Woolgoolga, where a lot of those businesses are smaller, to have that interaction between each other?

**Ms BARDEN:** Yes.

**Mr ADAM CROUCH:** Did the numbers you provided earlier include Woolgoolga, or was that only the hub here in Coffs Harbour?

**Ms BARDEN:** Yes.

**Dr SAUNDERS:** That is the local government area.

**Mr ADAM CROUCH:** Do you think that with the success of Woolgoolga it would be beneficial to look at having hubs located in smaller communities around the coast?

**Ms BARDEN:** Yes.

**Dr SAUNDERS:** Yes. In my mind it can be done in the smallest village we have. It could be simply a desk at the back of a cafe. If they have good Wi-Fi and good coffee then they are in business.

**Mr ADAM CROUCH:** Good caffeine and good connectivity are the key.

**Dr SAUNDERS:** Yes.

**Ms BARDEN:** We do a pop-up Six Degrees space in Sawtell, which is one of our villages.

**Mr ADAM CROUCH:** You have mentioned that.

**Ms BARDEN:** That is done in one of the local restaurants. They open 4.00 p.m., so they allow us to use their space during the day for that pop-up. We also have a very informal gathering of people at Coramba, which has a population of 750. The business owners get together mainly to discuss marketing and other opportunities for their area. But it becomes like a little working hub. That is literally at the front desk of the cafe. It is just about providing an opportunity for them to get together.

**Mr ADAM CROUCH:** Does the cafe provide the space to council free of charge because they see it as a business benefit for themselves?

**Ms BARDEN:** Yes.

**Dr SAUNDERS:** Yes.

**Ms BARDEN:** There are five shops on the street in Coramba. One of them is the cafe, so that is the logical place.

**Dr SAUNDERS:** One of the interesting dimensions was what happened in both Coramba and in Woolgoolga. As part of the funding, there was almost an implicit expectation that we would be hiring consultants mostly from Sydney to do the work. However, we made a determined effort to find local people from within our local government area. We were able to find someone for every topic we needed to cover. We sent out an expression of interest and then followed procurement processes so that the workshops were delivered by locals, and it helped some of the local businesses as well.

**Mr DAVID HARRIS:** Do you have a register of start-ups? How do you keep a record of what businesses would classify themselves as start-ups?

**Dr SAUNDERS:** We have a database of people who are in the ecosystem—forgive the jargon. We try deliberately not to formalise it too much. People in this building are very prone to formalising lots of things unnecessarily. We also find that people in the start-up area expect it to be done in a more casual, nonetheless professional, manner. We keep that database and we use it, for example, in social media communications, email campaigns et cetera when we are promoting different things.

**Mr DAVID HARRIS:** Have they created any sort of formal networks among themselves or a network where they get together on a regular basis?

**Dr SAUNDERS:** No, that was one of the things that surprised me when I first arrived. They have taken on Six Degrees as their network. It is almost as though they have taken ownership of it. Contrary to how we as a council might act in other areas, we actually want them to use that intellectual property, to take ownership of it and to be involved. We try to stimulate and to initiate things. For example, we have had two offshoots from that group. One set up a small gamers' development group. You would be amazed at how many people come to a workshop on a Saturday afternoon. There could be 20 in a place like Coffs Harbour. I certainly would not give up my Saturday afternoon that easily. However, they are really passionate. In Woolgoolga we have also had someone kick off a coders club specifically working with younger people. That is what we want to encourage as part of the culture.

**Mr DAVID HARRIS:** What sort of things would you like to see the Committee put in its report to stimulate that sort of environment?

**Dr SAUNDERS:** I would like to see more encouragement of what I would call microfinance-type packages. First, the \$50,000 matched funding number is quite tough. Secondly, we would like to be able to create little mini-hubs. They do not have to be flash environments; they should simply create a network through things

like basic video conferencing-type connectivity. I know that that is now part of the Jobs NSW plan. In the same way that Sydney is a start-up hub, Coffs Harbour will be the hub for this region and then we will have spokes in the village areas. That is an important part of it.

**Ms BARDEN:** Our submission contains a couple of recommendations that I think Dr Saunders has mentioned. There should be support for not only the bricks and mortar but also the programs that help people to establish what they are doing. The figure for matched funding could be lower. That applies to start-ups everywhere, not only in regional areas. It could be a gradual increase in matched funding over time; that is, longer-term access rather than only one-off access. Often as businesses change or grow their needs change. The ability to access a second round of funding over time would be good.

**Mr DAVID HARRIS:** Do you have a business enterprise centre [BEC]?

**Ms BARDEN:** We do have a business enterprise centre.

**Mr DAVID HARRIS:** Do they interact in this space?

**Ms BARDEN:** Not a lot, no. I would not say they were highly active BECs. The other thing that I think is good is to understand the rules. We try not to initiate with our start-ups the access to funding all the time. It is about how they can do it by themselves. When there is an opportunity for funding, the rules around those requirements may be a little bit more opportunistic for start-up businesses. One of the Committee members mentioned the 10 full-time employees that are needed. There are not many businesses in Coffs Harbour that employ 10 people, let alone within two years employing that number. In that instance, AusIndustry has done a little bit since this submission was written in terms of the regional match funding is lower than it is for metropolitan areas, and things like that. I think the message is certainly getting through, which is a good thing.

**Mr GREG APLIN:** I ask a question on an area the Committee has not touched on which relates to page 5 of your submission. You mention that the council has previously worked with an "international venture accelerator". I am interested in how that collaboration occurred and what were the impacts for your local start-ups?

**Dr SAUNDERS:** It is quite interesting that we had an approach from some international, shall we say, investors in this space. That came through Six Degrees events. It was really all about profile. They were looking at regional areas across Australia. They had identified that Coffs Harbour was active in this area. They approached us with a view to putting together a partnership with the council around setting up a formalised accelerator. We went back and at first indicated that we were not able to proceed on the basis of the terms that they wanted because the council had been working on its own incubator, accelerator-type strategy. Obviously, from a council perspective there are constraints in terms of the level of risk that we would take on commercially with what is essentially a high-risk activity by definition.

We are still talking to them. We have no doubt that down the track when we get our own incubator and accelerator structure more formalised with private sector involvement, that there will be that interest. It was interesting. It came out of left field and we think as a result of some of the promotional activities that we have been doing.

**Mr GREG APLIN:** Earlier you mentioned the French term "salon". Going back in time those salons came under patronage.

**Dr SAUNDERS:** Yes.

**Mr GREG APLIN:** While they were directed primarily to the cultural fields, they did spill over into other areas. It is interesting that the council has adopted that and the specific topic, exactly the same concept, and considers there is a future for that and perhaps governments having a role as the patron.

**Dr SAUNDERS:** We think that it is a far more sophisticated term than a "networking" event, or a "workshop", or whatever. It is a combination between sharing ideas and providing some inspiration. It is about culture in terms of a feeling of togetherness, that we can share some information and people can meet each other and be with like-minded travellers. It is not the only format that we use but we found them very successful.

**The CHAIR:** Do you think the Government's focus should be to look at innovation and growth, whether it be delivery of a new service or an existing service that could be done more innovatively and has the potential for growth and/or product? Or should the Government's focus be less or equal on, let us say for example, people who might want to shift from being employed to self-employed but doing exactly the same thing? I ask that because you continually mention, quite rightly, that you have a significant majority of home-based businesses, which would indicate that one or two people are involved. That seems to be the predominant thing. You also mentioned things such as coding and so forth that has the potential for growth. What do you think the Government's focus should be on where its policy leads?

**Ms BARDEN:** Firstly, home-based businesses can be innovative. That is where most of our technology start-up businesses work from, because of the opportunity in that regard. I think that we need to be very understanding that there are service businesses that are necessary, particularly in a regional area. Someone who is creating a menu item—in their commercial kitchen I will call it—in their home, that is a service that is needed and necessary. While that is innovative, because it is changing the product structure, it is a traditional industry, not necessarily a new industry. I believe that the focus for the Government needs to be on what can businesses do to be able to impact on the environment that they are operating in.

Sometimes that is about how is it that a product that is developed here in a place such as Coff's Harbour, a regional city, is able to be given to people to try it, not just within a small population of 70,000 people. Are there ways that the Government can support that product to go into a market that is larger to get greater feedback? The connections for small businesses to be able to enter into a larger market are probably significant. I do not know whether that has answered the question or not. That is a vital thing that many people, particularly people who move into the area, starting a business ask: Where are the trials that we can do? Where are all the people who we can do that with? I think that is probably a really interesting opportunity for the Government.

**Dr SAUNDERS:** I think that if we have people getting into new businesses and their focus is purely on servicing the local domestic market, that becomes sort of business as usual and those businesses over time will be vulnerable to disruption, or more vulnerable to disruption—all businesses are vulnerable to disruption. The challenge is getting people to think a little bit more expansively, but realistically, about creating products and services that will have both national and potentially international appeal. The most important real estate in all of that is what happens between two years. That is really where the focus needs to be. Sometimes people need cash or resources to be able to open up their minds, have the freedom to do that.

We spoke about the example of agribusiness where blueberries are being picked. We wanted to move away from a craft industry around grandma's table on a Sunday afternoon where everybody is filling jars full of blueberries and whatnot, to: What can we do with this product? Where are the markets? What sort of research can we do in an area that has got, for example, a very strong horticultural heritage? What sort of research can we put into it? The example that I gave of Blushing Blueberries is somebody who has had the research credentials to put that in. So that is the trajectory in terms of taking what is just a basic product and putting it into a space where it is differentiated and more competitive, more viable. That is I think what governments should be encouraging. It is not to say that the growth and business as usual is unimportant; clearly that is important but if you are wanting to pick one, I would say you have to do both but err more towards the infrastructure.

**The CHAIR:** We talked about home-based businesses and so forth. This is a pretty common theme right throughout regional areas in particular. Do you think councils and/or government have a role to play in the practical aspects of the restrictions on the local environmental plans?

**Dr SAUNDERS:** Yes. That is not my area of expertise but, yes, I do think they have a role to play. With a lot of those contemporary issues—dare I say, things like Airbnb and so on where those things pop up—the response of councils around the country are driven by people complaining. There is a fine line between being accommodating and ensuring that private amenity is not disturbed. Some of it comes back to the culture of entrepreneurialism and start-ups that over time we have to become a lot more self-sufficient. Part of it is that we have to be collectively more flexible in how we approach some of these things.

**The CHAIR:** Thank you very much for appearing before the Committee today. The Committee may wish to send you some additional questions in writing. The replies to those questions will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions that may be forthcoming?

**Ms BARDEN:** Yes.

**Dr SAUNDERS:** Most certainly.

**The CHAIR:** Thank you very much.

**(The witnesses withdrew)**

**KERRY ANNE GRACE**, Director, Regional Development Australia, Mid North Coast and Norfolk Island, affirmed and examined

**The CHAIR:** I welcome Kerry Grace. Thank you for appearing before the Committee today. Before we proceed, do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Ms GRACE:** I do not.

**The CHAIR:** Would you like to make a brief opening statement?

**Ms GRACE:** First of all, thank you for including me to present at the inquiry. I would also like to give apologies for my colleague, Russell Pell, who is attending the New South Wales Government's incubator for the Youth Employment Innovation program today, which we are very excited about; I was there yesterday. That will do. I am very happy to answer questions. I think that would be easier.

**Mr GREG APLIN:** Thank you for appearing before us today. I would like to go straight to a point you made in your submission on the second page as it is one of the gaps. You indicated that there is a lack of regional coordination for the start-up community and there is scope to create a collaborative regional program. Can you give us some ideas of how that regional start-up coordination should be encouraged?

**Ms GRACE:** Absolutely. I created a position in our organisation called the innovation and media manager who is Russell Pell. The reason that we did that was we saw that in order to get critical mass across our start-up community we need to work on a regional basis as opposed to local government area by local government area. We notice that there is significant activity happening, particularly in the Coffs Harbour and Port Macquarie council areas but not so much activity in the other areas that we represent. We work with local government down to Taree as well, so Kempsey, Nambucca and Bellingen are included in that.

The way that we see it is that an ecosystem of entrepreneurialism needs to be developed in this area as opposed to setting up buildings where people can go and sit and work with subsidised rent, which is not necessarily enough. We require also a coordinated approach to investment attraction to the area. Regional Development Australia [RDA] under our new charter has a certain role to play in that area, which we do play by attending trade shows and other areas. Just attending the incubator yesterday we were very pleased to meet a man by the first name of Abe, who works for the State Government, who made it very clear to us that he is very happy to connect us in any way that we need to be connected so that we can solve this issue of youth unemployment, and I believe that a coordinated approach across our region to start-ups and entrepreneurialism would embody the same type of philosophy.

**Mr GREG APLIN:** We are starting to gather, because of their appearance at so many of our investigations, the common theme of regional universities. What is the role of those regional universities in the start-up ecosystem, if we can call it that, and how important are they in providing a physical location that you refer to or physical technical equipment for the use in local start-ups, in other words, providing that nucleus on which you can build?

**Ms GRACE:** Universities are core to that nucleus, as you call it. I think that is a great term. We know that the Mid North Coast has the highest density of universities of any regional community in New South Wales. Our organisation has recently completed an economic impact study of universities across our region. There are multiple ways in which universities contribute to that ecosystem. One is encouraging our young people to stay in the region. I grew up in this region and I left as soon as I finished high school because that is what you did. Now I have children who are approaching high school leaving age and they can stay because of the universities, and they are all entrepreneurial kids, so that is an exciting opportunity. The universities also give us scope to attract bright young people here.

As we know, essentially where young people fall in love that is where they stay so we can attract entrepreneurs via the university network as well, so the Mid North Coast area health service is doing a lot of work in health research as well and that is very important in our region too. The universities are core to building the entrepreneurial culture of the region.

**Mr ADAM CROUCH:** When you attended the incubator yesterday what were some of the things that were brought up as being the main impediments? This was an opportunity for people to talk openly about how the Mid North Coast could benefit from this evolving way of doing business. What were some of the biggest impediments brought up yesterday to being entrepreneurial, especially in a region like the Mid North Coast?

**Ms GRACE:** There was not really a lot of opportunity for us to discuss this yesterday. It was more of a program information day. However, if I was to extrapolate what I heard people speaking about—there were two organisations representing the Mid North Coast at that particular event and people representing every region across New South Wales—red tape is something that prevents entrepreneurialism, because it becomes too difficult for people. I can certainly attest to that, having been a small business owner in this region for 14 years as well, so red tape can be difficult.

The area of youth unemployment of course has particular challenges because it crosses so many different areas of policy development. That is its own set of issues as well. I am just trying to think of some other things that people were discussing. It takes a lot of guts to be an entrepreneur. You have to be brave. Tall poppy syndrome is alive and well in the regions and nobody wants to be seen as being up themselves, as they say. I believe when we embody this ecosystem of entrepreneurialism across our region people will be more encouraged to be acting in that space and proud of being a business owner and an entrepreneur and able to do things in a different way.

**Mr ADAM CROUCH:** You mentioned that the mindset in a region is potentially very different from the mindset in Sydney. The RDA covers a very large area here, including Lord Howe Island. One of things we heard from council was about them expanding out with their hubs and offering smaller, two-person operations working from home the opportunity to expand. Being a region the size of this one, what would be the main impediments to somebody in Lord Howe Island wanting to have that sort of incubator access? Again, I think Lord Howe Island is a really good example because the people are isolated. How would they go about progressing through an idea given their location?

**Ms GRACE:** There are actually three things that are really key to that. One is connectivity. The connectivity on Lord Howe Island is not great. It is the same for Norfolk Island, who we represent as well. Without that internet connection it is very difficult. The other part about connectivity is that it does not need to be a bricks and mortar solution that we are talking about. People can meet using tools like Zoom. They are really simple. We do not have to do the kilometres in our car. We do not have to go to a bricks and mortar building in order to incubate our businesses. That requires a mindset shift within itself, getting that support. The other part is the linkages. Who are the linkers, who are the people that are prepared to share their networks and how is that done? That is incredibly essential. The other bit has slipped my mind for the moment. I will come back to it though.

**Mr ADAM CROUCH:** Do you find being in a region that once collaboration starts it becomes easier? I suppose it is about sharing the success. Do you find that being in a region could be an asset rather than a detraction and not being in Sydney could be an asset to somebody wanting to expand?

**Ms GRACE:** I absolutely believe it can. To start with, the cost of living is so much cheaper in the regions. If you look at the industrial land that is available at the moment across our region, there are some significant opportunities that you would never find in Sydney. Coffs Harbour council may have mentioned before that they are releasing a block of land called Enterprise Park, which is right next to the airport. Costs are significantly cheaper. Personally I think it would be great for a space-oriented industry, but we will see which way the council drives that. Who would not want to live in the regions? It is incredible.

As to the other part about like-mindedness and collaboration, entrepreneurs speak about finding your tribe. That is key to be able to get people together so that they can find their tribe. We established an annual event called IGNITEMid North Coast. The sole purpose of that event, which included key note speaker Todd Sampson last year, is to encourage tribe building, collaborative thinking, enabling people to think differently and giving them a space to be able to speak out about ways of doing things in new ways.

**Mr ADAM CROUCH:** Having that night has helped develop successful positive local innovation. Are there plans to expand on that? We heard council's evidence this morning about their sessions that are quite informal. Obviously, businesses are keen to contribute. Would the RDA be looking to expand on the one session they have?

**Ms GRACE:** It is a full-day conference and we are running that again this year. It is the day after Melbourne Cup day every year. What I had considered doing were some satellite events in partnership with council. Essentially, that would mean events like Coffs Harbour council had mentioned and we would promote them to our broader network. One of the greatest challenges that we have is, as I mentioned before, getting people to connect to technologies like Zoom. Our organisation set up a series of business advice panels where we bring in AusIndustry and the Department of Jobs and Small Business and the Office of Regional Development has an ongoing invitation to the seat as well. We will invite one business to sit on a Zoom meeting with all of us. Instead of all of us going individually to the business they have 45 minutes to pitch to us and tell us what their problems are. It is a training process for them as well to not waffle and just get their information out very quickly.

**Mr CLAYTON BARR:** Your submission is critical of the Jobs for NSW packages in that there just is not quite the right product. Can you describe what in your mind the correct and right product would look like?

**Ms GRACE:** Sure. To start with there is a reduction of red tape in the application process. That is the first point. The second one is for a small business that is wanting to grow. In our region we know that there are over 11,000 businesses that do not employ anybody. They have all the capacity to either cluster together to employ, for example, a joint bookkeeper or whatever it is in back of house services, but that is not happening. I think the dollar-for-dollar investment is also an impediment to the businesses.

**Mr CLAYTON BARR:** No red tape in the application process is essentially what you said. The expenditure of public funds by nature has to be explainable and justifiable to check that there has been nothing untoward happening. How do we find that balance?

**Ms GRACE:** I completely agree and an application process is an astute process to use and apply. My feedback from the businesses—and I can only provide the feedback from the businesses, I do not have personal experience—is that the assessment process is too long and extended. They have moved on by the time they have an answer and have given up. That is the red tape.

**Mr CLAYTON BARR:** That is a time thing.

**Ms GRACE:** Yes.

**Mr CLAYTON BARR:** But you also spoke about the lengthy application process.

**Ms GRACE:** We have been advised by some of the businesses that we work with. They are not grant writers, so they do not have the experience to do that. If it does get to the level of requiring something like a cost-benefit analysis, it is impossible. It is just impossible.

**Mr CLAYTON BARR:** One of the other things you mentioned is project reporting. For us with our hands on taxpayer funds, surely that is essential. Surely we need to be able to do that reporting. Is it just the level of reporting?

**Ms GRACE:** I believe so. It is the level of reporting. But we also have access to technology. Technology is just booming. Can't there be an app designed so that people can more easily report what it is that they need to do, for example? Again, these people are not grant writers. They are not reporters. They do not necessarily understand the language. I know that in our region the Office of Regional Development supports my entire region with only two staff. It is very difficult for those people, who are working very well. They cannot sit down and sift through reports with every single funding applicant or provide them with grant applications.

**Mr CLAYTON BARR:** Are those two positions inside your office?

**Ms GRACE:** No, they are not ours. They are in the State's office, under Premier's.

**Mr CLAYTON BARR:** You would be well aware that there are a whole bunch of organisations that are funded by government. I will give you a list to see if any of them are of use. In innovation ecosystems there is something called the Boosting Business Innovation Program? No. Regional Landing Pad for Start-ups? Incubator Accelerator Program?

**Ms GRACE:** I have heard of various ones.

**Mr CLAYTON BARR:** Innovation Launch? Procurement Innovation Stream? SkillsPoints headquarters through TAFE?

**Ms GRACE:** We have a headquarters for the hospitality and skills area, but I believe it has not been launched yet.

**Mr CLAYTON BARR:** You also mentioned in your submission that local governments have an important role to play, but you want regional coordination. Is there some scope to have the different councils doing their own start-up Coffs Harbour process and then perhaps bringing together the regional winners or the top three regional ideas and—

**Ms GRACE:** Incubating them?

**Mr CLAYTON BARR:** Yes.

**Ms GRACE:** Through a formal process?

**Mr CLAYTON BARR:** Across the entire region.

**Ms GRACE:** Yes, and then linking them to external investment or customers.

**Mr CLAYTON BARR:** So Regional Development Australia would let the councils do their small localised thing, but once you had the top one, two or three or whatever, it would take over and you would then be the—

**Ms GRACE:** It may not be RDA that takes the lead in that. However, we are certainly part of a consortia that is exploring that as an opportunity. I know of some of the entities that are working effectively across the region. But we must remember that the geography a lot of these people cover simply does not enable them to provide the support that these little businesses need on a one-to-one basis. I taught small business at TAFE over many years. It is important to look at curriculum development because the curriculum did not lend itself to being able to grow, and certainly not to grow an entrepreneurial mindset.

**Mr CLAYTON BARR:** Curriculum as taught at TAFE or in high schools?

**Ms GRACE:** High schools are another issue. The TAFE course I was teaching really was not geared towards being entrepreneurial. My insight comes from being a student in an enterprise program called Elite500 run by David Dugan, who is an entrepreneur. It was entrepreneurial and we were surrounded by entrepreneurs in going through the education process. If people are simply sat in a classroom and fed a curriculum or resources designed 10, 15 or 20 years ago, we will not build an entrepreneurial culture.

Regarding high schools, the Foundation for Young Australians has an incredibly astute program called the \$20 Boss. It is very successful; I have delivered that program myself. It has all of the learning resources that children need to be able to develop businesses. I personally saw 16 students at Macksville High School develop six businesses last year. It was a very successful program.

**Mr CLAYTON BARR:** The Foundation for Young Australians has made a very good submission to the Committee.

**Ms GRACE:** It is a leader in this area in terms of engaging youth in entrepreneurial activities.

**Mr CLAYTON BARR:** What is the role for the Government? Should it stay out of the way to let it happen or dangle some money to make it happen? As a State, do we fund local councils and RDA and let them make it happen?

**Ms GRACE:** We will accept that.

**Mr CLAYTON BARR:** What is your advice to the Committee?

**Ms GRACE:** I think the State does have a role. Of course, there is a mandate around reducing red tape, and that is very important. I went to the regional launching pad yesterday. That is an excellent initiative for regional Australians, and I would love to use it more. I think the more that you can encourage collaboration the better; that is, true collaboration, not only collaboration that sits on a funding application and a resulting report. The Government can play a role, particularly in the public-private sector, as it is rolling out grants and funding. It should truly listen to the business community about Jobs for NSW funding and what can be done in that area to make it more relevant for businesses. I heard Ms Barden mention a sliding scale in the applications. I think that is a great idea. All of those initiatives would be very helpful.

**Mr CLAYTON BARR:** You have used the term "red tape" a number of times today. That can mean anything. Can you be more specific in terms of the ideas, thoughts and concepts you are putting forward? Can you provide some specific examples of red tape?

**Ms GRACE:** I can provide a very specific example from my business.

**Mr CLAYTON BARR:** Do not limit it to only one.

**Ms GRACE:** I believe it is very important to employ young people. My business is very small, but I engaged in the State Government's school-based traineeship program. I employed one student and when he graduated I employed a second one. That program has nine stakeholders in the sign-up process, and employers must go through more than 56 steps. The only reason I employed those two young people was that I was so passionate about them as humans. Businesses will not go through that process.

**Mr CLAYTON BARR:** So the process is a war of attrition, and you won. How can there be nine stakeholders signing up a kid from a local school?

**Ms GRACE:** It is crazy. It took five months to process the second trainee. Her traineeship was nearly finished by the time she started. I have lodged complaints with the Ministers about that. The young girl has since graduated with her Higher School Certificate and she completed her traineeship with another entity when I came into this role. It is really prohibitive for young people to get employment in that area, and that is just one example of the red tape.



It is also difficult for business owners to understand the differences between the State Government and the Federal Government and to understand reporting requirements, insurance requirements or who to speak to to get help. It is a minefield for people who do not know what State, Federal or local government funding means. They are generally too busy working in their day-to-day operations to lift up their head to understand it. It is very difficult. To get back to the question about what could happen to encourage the whole ecosystem, there needs to be a place that people can access to understand the next step in their pathway.

**Mr CLAYTON BARR:** We used to have things called business enterprise centres, which were funded by the State and Federal governments. I believe there is still a BEC around here, but it might not be very active.

**Ms GRACE:** Business Connect is State Government funded. It is operated by NORTEC, and to the best of my knowledge it has only one staff member servicing an entire region. She is very good at her work, but covering the region is very difficult. Whatever the State Government could do in terms of encouraging the support services to use online technologies would be great. I know a tender was put out recently to change business advice to online and telephone rather than in person. However, clustering is a very important approach for us. Our RDA branch deliberately rarely does one-to-one work with businesses. We encourage them to cluster so that we can then leverage more support and bring in the stakeholders they need. However, our region is enormous and we cannot reach everyone.

**Mr DAVID HARRIS:** Did your RDA branch get State Government project funding?

**Ms GRACE:** We did. We used the last State Government project funding we received to complete a skills audit. We also completed something we call "Industry Blueprints". At this stage, we have addressed only four industries with posters. Parents can look at the posters and understand what they involve.

**Mr DAVID HARRIS:** Is there any strategic overview in terms of a business gap analysis? This region has a growing population, but it also has high unemployment and high youth unemployment. It also has an elderly population. Are start-ups really about people just wanting to start a business, or is there any direction for them to see where there are gaps that they could be successful in filling?

**Ms GRACE:** I think that is a gap in our marketplace. We would provide that information to people if they asked for it. For example, we went to Manufacturing Week three weeks ago in Sydney to represent the region. We went with Nambucca Shire Council and Port Macquarie-Hastings Council. We were asked questions like, "What business potential is there in the region? Where can we locate a business? What is needed up there?" That is when that would happen. Of course, all of the economic development officers, our office and the State office would be informed about that. However, there is no formal process for that to happen, and I think there should be.

**Mr DAVID HARRIS:** Who do you think should have the lead role with that?

**Ms GRACE:** My practice is very collaborative and every two months we host a meeting with all of the economic development officers across our region. Ideally, the State Government would attend that and we would all lead it together. It would make a lot of sense to me to do that because we have industry and skills gaps that we are not filling. In addition, we do not necessarily have education supporting the development of staff to fill those skills gaps. It is an area that we are strategising around at the moment.

**Mr DAVID HARRIS:** Earlier you mentioned how you create, particularly in young people, a culture of entrepreneurialism, and it is hard if there is high youth unemployment and high unemployment generally, that I assume is generational. Do you know if any of the local schools are involved in what is called "aspirational education"?

**Ms GRACE:** There is a program called the Lighthouse program, and Clontarf as well. Clontarf is in a couple of the local schools. There are youth centres, a whole splatter of different services. The coordinated approach is really lacking, I think, across our region and many regions. That is often driven by a competitiveness that not-for-profit services have for funding. The lack of coordination or a central coordinating body is quite difficult. It is an endemic problem because if not-for-profit organisations are getting funded from philanthropists or entities that are not connected, they can essentially come into a community and do whatever they like.

**Mr DAVID HARRIS:** If I were living in this area and tomorrow I decided I wanted to set up a start-up business, is it an easy thing to do? Is it well signposted? Or is everyone doing different things? The council is doing things, there are incubation hubs, but if I have just moved into the area and thought: Wow! I have got this idea. Is it an easy process or a hard process?

**Ms GRACE:** I think starting any business is a hard process. My personal belief is when somebody starts up a business they start it up because they have a passion about that particular thing or problem they want to solve and they do not necessarily think about the tools of developing a business. They are more likely to bumble along for several months or years before they actually realise that they might look for a support network.

**Mr DAVID HARRIS:** Recently I was talking to a few small business who suggested that when an application is made for an Australian Business Number [ABN], a basic business education course would have to be completed. Do you think if there was something like that when applying for an ABN, particularly for a start-up, whether it is mandatory or optional, that would be helpful? It is great having the idea, but as you say, it is the business side of the operation where most people fall over.

**Ms GRACE:** Yes.

**Mr DAVID HARRIS:** Do you think something that the Committee should look at is the scope for linking that training? It is very easy to get an ABN; it is a lot harder to run a business.

**Ms GRACE:** Yes. I have two contradictory answers. One is; it sounds like red tape to me. The second is; it would be fabulous.

**Mr DAVID HARRIS:** Which is what the other small businesses told me.

**The CHAIR:** Welcome to our world.

**Ms GRACE:** There are some really good small business development apps again that people could use. If you look at the McDonald's introductory training process, something like that, that is very engaging to young people. You could even gamify it, make it relevant to what is going on in the business. That would be very relevant, I think.

**The CHAIR:** As long as the end product is a lot better.

**Mr ADAM CROUCH:** Capturing on something you said earlier as a former lecturer at TAFE, that last year there was quite a lot of success at the local high school with business start-ups. Am I right in paraphrasing you by saying that the high schools are starting to engage proactively in this, but then we take young entrepreneurs who graduate from high school and put them into a decade-old plus system in TAFE, which is not representative of the way the industry now works? Am I right in saying that that TAFE model needs to be examined very carefully and reassessed to bring it up to date with how incubators and technology works? As you said, putting them in a classroom and looking over papers is not the way in which that enterprise now operates. Would that be a fair assessment?

**Ms GRACE:** Not quite. I think my TAFE comments are based on teaching that I did in 2012. I know TAFE has changed significantly since then. Regarding the school, I had to force my way in there. Working with the Department of Education is—I will not give a metaphor, I will just say outright it is very difficult.

**Mr ADAM CROUCH:** That is interesting. Again, it seems contrary to the evidence that the Committee was given by the council, for instance. Are you finding that buffer is at the principal level or a higher level, such as a regional director level, where they say, "No, we do not want you in the school"? It is important for us to find that out.

**Ms GRACE:** We have not even been able to reach the regional director level. We made a conscious decision to work as a pilot with one of the schools. The process of building trust with the headmistress did take a significant amount of time.

**Mr ADAM CROUCH:** Is that a public school or a private one?

**Ms GRACE:** Public school. We have that trust now and I believe that we can now work quite easily with that school. My thoughts are that I am aware that the regional leaders group in this area has done significant work in youth unemployment and how to address that issue. The bureaucracy surrounding that and the thinking surrounding that, I would be very critical of that process and how it was delivered. I would also be very critical of the fact that schools are operating in an industrial model that is not relevant or current to the new skills that kids are going to learn and require into the future. I think in many ways it is starting in that area. What we found when we went to Macksville High School was once we gained the trust of the school community, we were able to deliver something that was really quite unique and it was very innovative and I know that it has helped all of the kids that were involved. But I also know that all of the teachers that supported me through that process had ongoing and constant red tape issues.

**Mr ADAM CROUCH:** You have established trust at Macksville High School. how do you now spread that good word, I suppose, to the other high schools? Each principal is responsible for their own school. What could the Committee do to make that easier? You should not have to go to every single principal—

**Ms GRACE:** That is exactly right.

**Mr ADAM CROUCH:** —to resell the case. You should be able to go to one person and say, "This is the program that we provide."

**Ms GRACE:** That is right. The Foundation for Young Australians, because they know how passionate I am about their program—and they know what our youth unemployment statistics look like in this region, which are beyond ridiculous—has agreed to run a discrete program in the mid North Coast which basically means that our RDA branch will lead it and we want as many schools to engage in it as we possibly can. We will provide an overriding support. The program has a national award system at the end of each year, and 10,000 students across the country were part of that last year. We want to have a micro version of that on the mid North Coast which our RDA branch is very happy to facilitate. We will run some Zoom classes for the students as well. At this point what I am having to do is doorknock individual schools and that is stifling the program completely. It is impossible.

**Mr ADAM CROUCH:** You use the word "discrete" and we are in an industry where we need to be out there and literally encouraging people to be forthcoming, yet you have to approach this in a discrete manner.

**Ms GRACE:** Yes.

**Mr ADAM CROUCH:** That seems counterintuitive.

**Ms GRACE:** I agree, very much.

**Mr GREG APLIN:** I would like your comments on the role of local businesses, such as chambers of commerce or even the Business Chamber and to explore whether governments should perhaps be providing some assistance. Is there scope to provide that assistance for their work with forthcoming business people, entrepreneurs, the start-ups of the future?

**Ms GRACE:** The chamber model is interesting. We work closely with the New South Wales chamber, who represent our entire region, and they do some really great work to support their members with business advice. Probably one of the criticisms I would have is that they only support their members. So the broader business community which is not or cannot afford to become a member can be left out, and that can often be the start-ups. Perhaps if there were some intervention of support, it would be in terms of enabling the start-ups to come into the chambers and encouraging them to come into the chambers.

**Mr GREG APLIN:** That is exactly what I wanted to explore, whether there is scope or not.

**Ms GRACE:** We have some really strong chambers in our region, Coffs Harbour Chamber of Commerce is a very strong and well-attended chamber across the business community. Port Macquarie-Hastings is the same. Kempsey also has some really strong representation from the business community. I think as a younger entrepreneur and as a parent as well, it is really difficult running a business as a parent because there are kids to drop off at school and prepare dinner for afterwards. I would love to see the chambers—and I will be very honest in this—I have offered every chamber in our region the opportunity for me to run a Zoom meeting for them at no cost, and nobody has taken it up. They need support to do that.

**The CHAIR:** Touching on education, are entrepreneurs born or made?

**Ms GRACE:** I was thinking about this last night. I grew up on a dairy farm in Kempsey and my dad used to give me tasks, such as pick up nails, and he would give me 1c for each nail that I picked up. Then the nails turned into him buying lambs for me, and when the lambs went to market I could see what profit was made on them. But I was not born like that. It was encouraged in my environment to become entrepreneurial in my thinking.

**The CHAIR:** Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide any written reply to any further questions that may be asked.

**Ms GRACE:** Certainly.

**The CHAIR:** Before we complete this section, if there is anything that you feel you would like redacted—

**Ms GRACE:** It is quite a regular thing.

**The CHAIR:** Just say so.

**Ms GRACE:** Thank you.

**The CHAIR:** You can let us know through the Committee secretariat, and we can accommodate that.

**(The witness withdrew)**

**(Short adjournment)**

**LOUISE HARDMAN**, Chief Executive Officer, Plastic Collective, affirmed and examined

**The CHAIR:** I would like to welcome Ms Louise Hardman from Plastic Collective. Thank you for appearing before the Committee today. Before we proceed do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Ms HARDMAN:** No, it is all clear, thank you.

**The CHAIR:** Would you like to make an opening statement?

**Ms HARDMAN:** About my business?

**The CHAIR:** Tell us anything you would like?

**Ms HARDMAN:** I am an environmental science chemistry teacher who started a business two years ago to stop plastics going into the sea. The aim was to build mobile recycling shredding and extruding machines to give small communities an opportunity to start economic businesses. I live in Coffs, I have grown up in Coffs, I have been doing most of my work around here but recently I have been going overseas and taking the business overseas. We are going very well as far as media and getting some really good coverage. I am heading to Bali next week for the Australian consulate meeting as a presenter over there. Everything is going quite well. I will not go into the whole business side of things but I am very happy with how things are going right now.

**Mr GREG APLIN:** Thank you for that introduction. I was going to ask you to give us a quick overview of the start-up and its growth. Clearly you established a desire to achieve an outcome and you set yourself that task?

**Ms HARDMAN:** Yes.

**Mr GREG APLIN:** Were you aware of the outcome and the possible usages of the material when you commenced because that was obviously going to form the income on which your business was based?

**Ms HARDMAN:** Yes. Being a chemistry teacher, I went into depth into the chemistry of plastics and what they say is special sauce to your business is my training program. It is teaching people how to set up micro-businesses based on learning the material science of plastics—what can be shredded or extruded; what can be remoulded and things like that. I go into that in depth.

**Mr GREG APLIN:** I would like to take that one step further and establishing the market. You knew there was an available market that you could tap into that would provide a ready source of revenue?

**Ms HARDMAN:** Yes.

**Mr GREG APLIN:** That was all thoroughly researched, was it?

**Ms HARDMAN:** Yes.

**Mr GREG APLIN:** Did you need assistance to do that?

**Ms HARDMAN:** No. Basically my market was looking at the Asia-Pacific Islands, remote and island communities. I am focusing on the 4,000 inhabited islands through that region—Indonesia, Philippines and a number of Pacific countries, as well as remote communities in Australia. Basically these are the poorest countries where they do not earn a lot of money. We are working with corporate businesses. At the moment I am being sponsored by Coca-Cola. The first machine is being sponsored by them from Sydney. We are working on a number of projects with them now as well. I am also getting corporate sponsorship from the United Kingdom. I set up a thing called plastic neutral offsets—a bit like carbon offsets but if companies are using plastic bags and things like that they can offset their plastic use in a positive way by supporting a Shruder program in another country.

**Mr GREG APLIN:** Clearly that is a particular development here that could have occurred anywhere but you chose to develop it here because you are here, which is fantastic. That takes us to the advantages and disadvantages of establishing and growing a start-up in a regional area. Can you identify some of the benefits and some of the difficulties and how governments might be able to assist others to follow your path?

**Ms HARDMAN:** The benefits, being in a digital time, are that you have access to meetings, Skype meetings and everything. That is quite good as I can Skype quite easily people over in London, Hong Kong or different countries. The communication side of things is quite good. The difficulty was with face-to-face meetings. Where I got the most traction was going and presenting at conferences, plasticity events and places where I could talk and present and then people would come up to me and say, "We want to work with you." The opportunity to

get to those was a little bit—not difficult but it would require a bit more planning than if I lived in say Sydney or Melbourne where I could go to these things quite regularly.

Also, I think the biggest hurdle for me was although initially I did get some MVP funding, I did not have a lot of money to start with. I spent all the money that I had putting into this business because I began as a sole trader. Then I won the start-up competition in Coffs Harbour and then I got an excellent Chief Technical Officer [CTO], an environmental engineering guy, Mark Wolf, who came to work with me. He helped me commercialise the machine because I am not an engineer. He has done a fantastic job. Having the initial research and development funding was fantastic. That enabled me to get to the start-up point and that is sort of when I ran out of money but after that it was just step by step. I tried to get some more funding. One of the things I tried really hard for—and I prepared for six months—was to get a regional growth loan.

That was quite difficult—well, it was not difficult but the first six months I did everything I was asked to do and when I applied for it, they said, "Well, no, you can't get it until you have money", which was a little bit frustrating. And I could not apply for a loan from the other banks because I had not been working as a teacher but I had quite a number of good contracts ready to go, sort of in the pipeline. There was also the step between being an MVP start-up where you get your research and development up until the bigger loans where you have \$500,000 in income and then you can apply for infrastructure grants and things like that. Because I was so different to everything else; I was very small and modular rather than one big infrastructure—I was lots of little programs everywhere and a lot of education—I did not quite fit anything and it was quite frustrating. When I talked to the Environment Protection Authority and places like that, they said, "The regional growth loan is the best one for you so go for that", but when I applied for it six months after, they went, "No, you can't get that until you've got funds". I can apply for that again in July.

**Mr GREG APLIN:** I think the case histories are very valuable here in that they inform us in our role of looking to see how governments can better support—

**Ms HARDMAN:** Yes.

**Mr GREG APLIN:** —our regional start-ups, so any advice you have in that field would be very much appreciated in the course of our discussions today. Thank you.

**Mr ADAM CROUCH:** You mentioned that funding is difficult as an entrepreneur. The co-funding model is \$50,000 and you have to co-fund the other \$50,000. The average person does not have \$50,000 sitting in their pocket.

**Ms HARDMAN:** No, that is right.

**Mr ADAM CROUCH:** Had \$2,000 to \$5,000 been available to you co-funded would you have found it easier to keep the Shruder project running?

**Ms HARDMAN:** Yes, definitely.

**Mr ADAM CROUCH:** The other feedback is about keeping the application process simple.

**Ms HARDMAN:** Yes.

**Mr ADAM CROUCH:** Can you explain your experiences when applying for the funding and what the barriers were to that funding?

**Ms HARDMAN:** The main barrier to the funding was it felt like the rules kept changing with the Minimum Viable Product grant and I was never quite sure of the rules. When it did get approved then the rules changed again and I said, "I simply can't accept those conditions." I would get the funding after I finished the research and development and I said, "I can't do that." I sort of said no and then they came back to me and said, "Okay, we'll do it so we give you 25 per cent now and 75 per cent later." With that I only got \$13,000 and I had to match \$13,000 from family and friends.

I think what would have benefitted me and would probably still benefit me is basically I have worked out in six months I need \$50,000 to do exactly what I need to do. At the moment I have got up to \$1.5 million of proposals out there. I was asked to do a waste management plan for the Vatican. I was asked to do a number of projects all around—in Niue, in Fiji with Coca-Cola and we are looking at a five-year project in Bali. There are a lot of things in the pipeline but because I cannot employ anyone because I do not have the income to employ them I have to do marketing, sales, graphics, everything. I am relying on a few people to help me but I cannot rely on them totally because I cannot pay them. My frustration has been having to work so hard at it but being unable just to kickstart that little bit.

**Mr ADAM CROUCH:** Would I be right in saying that proposed business unfortunately does not assist you? You have potential contracts and turnover but none of that is taken into account when applying for a grant?

**Ms HARDMAN:** That is right.

**Mr ADAM CROUCH:** Could you put the business case on the table and say that you have these written agreements set up and it would be helpful if consideration were given based on those proposals?

**Ms HARDMAN:** Yes. I did talk to a very good officer in the Regional Growth Loans who was a senior administrator. He was fantastic, very supportive, and he basically said, "Show me all your proposals of up to a million dollars." I put them in and I showed him the contracts we currently had with Coca-Cola. But then he came back and said, "Look, I'm really sorry but because some other businesses went into default last year the rules have changed. Now you can't apply for it until you have \$200,000 in the bank." I went, "That is really frustrating. Can I just apply for a really small amount, like \$50,000, just to get me through this year to get everything set up and then I am off and running?" But that was not quite there. I think there should be smaller loans, little kickstart loans that are not so difficult to pay back or anything.

**Mr ADAM CROUCH:** Congratulations on your success with the Startup Coffs Coast Pitch Competition. Can you explain how that success helped you do what you are doing?

**Ms HARDMAN:** Absolutely. That was key to what I went on to do afterwards. I had a series of events after that where I went to the Beyond Plastic Pollution conference in Sydney that I think was organised by the Boomerang Alliance, but there was a Plasticity Forum, so I went to that. That was business innovators and government coming and meeting together. I presented at that. That was really well accepted. That is when I met with Coca-Cola, Woolworths and a number of other corporate groups saying that they wanted to work with me. Basically, because the machine was still in prototype stage and I still had to get the funds to be able to get the first five machines started, we were relying on the first job from Coca-Cola. They bought the first one. I have just delivered it to the Whitsundays now. That happened last November.

Then I also got an invitation to Prince Charles' International Sustainability Unit meeting on plastic pollution in London. I did apply for funding through the Government but I did not hear anything so I had to borrow some money to go to that meeting, which was really good. That is where I met the World Wildlife Fund and all these other people and got some great contacts there. But, as you know, all these things take time—the whole building relationships and meeting people. That was fantastic. As soon as I got back from that the Governor of New South Wales, Mr Hurley, and his wife came. That was fantastic. We got some fantastic photos. They were really lovely. Then I got invited to Bali to present next week at the Australian consulate environment week at three different things and present to the Governor of Bali. It will be basically presenting them with what I call a plan on how to turn a community into a plastic neutral community, how to convert waste into resources and make it economical for people.

**Mr ADAM CROUCH:** Did you receive any assistance from Austrade with the Bali program or have you basically done all of this through your networking? Has Austrade played any part in assisting you overseas?

**Ms HARDMAN:** No.

**Mr ADAM CROUCH:** It has all come from the networking that has been created via the Coffs Coast Pitch Competition?

**Ms HARDMAN:** Not really. The Coffs Coast pitch was more working with my CTO and after that it was me going to the Plasticity Forum. Like I say, when I went to the conferences and presented was when I started to get really good traction and interest. Then when I went to the United Kingdom and met with Prince Charles. The photos and the stories that came from that really sparked a lot of interest. Then I have been on the radio so many times and there have been stories and lots and lots of really good media, which has been fabulous. But, because I am not a salesperson, on the actual sales side we have got a lot of things in the pipeline all sort of clumped down one end trying to get them up to the other end. It is a big learning experience for me, I suppose.

**Mr ADAM CROUCH:** Would I be right in saying that if the Coffs Coast pitch had not come off you would not be in the position you are in right now?

**Ms HARDMAN:** Yes. I think that was absolutely a great stepping stone. Also the council's Six Degrees co-working space was very important for me as far as providing me with a place that I could go and talk to people that knew how to do business. As a zoologist I walked in going, "Hello. I've got this idea." They said, "Do you want to do a pitch?" I did not even know what a pitch was. In the end, they trained me to do the pitch. That helped me win the start-up. Then I did the next one. Just before the plasticity one I did another one called the Australian StartCon. I was really nervous but I got into the semifinals and I came seventh out of 100 people. I was the first woman and the first hardware solution. Everyone else was software.

**Mr ADAM CROUCH:** Since that success have you been asked to re-engage and explain to others the process you went through?

**Ms HARDMAN:** Yes.

**Mr ADAM CROUCH:** Have they got you back to mentor other entrepreneurs to some degree?

**Ms HARDMAN:** Yes. Six Degrees and Coffs Harbour Council have invited me back to a number of events where they have just asked me to speak, which has been really lovely. They have always been really supportive and so has the Department of Industry, which is now the Department of Premier and Cabinet. Steve over there has been always fantastic. They have always been very open to give me advice and help me along the way and offer ideas for funding, but the whole funding process was quite difficult for me.

**The CHAIR:** Given your experience and your success to date I am going to ask you to think about this both as a business owner and entrepreneur and as a taxpayer. Do you think that governments should assist in a venture capital type way where, for example, they take an equity position in your business for a period of five years and say, "There's your \$200,000. That gives you your working capital. Get those contracts across the line and we will pull out in five years time"?

**Ms HARDMAN:** That would be amazing.

**The CHAIR:** Do you think that would be a good idea?

**Ms HARDMAN:** Yes, I have knocked back four investors at the moment because they wanted to take big chunks of the company and move it to Florida and do these funny things. I have been very cautious with that. But something like that with an angel investor or a five-year thing to get on your feet would be fantastic.

**The CHAIR:** As a taxpayer, do you think that that would be a prudent thing to do in the custodianship and management of taxpayers' money?

**Ms HARDMAN:** I think it would if you choose the right projects—projects that were going to make an impact, projects that were going to change things, and something that is a little bit different. I have been working with a few different companies. They say the same thing. They find it very hard to get any funding because they are so different to the general model. They see that they are out on a limb but they are cutting edge and quite innovative. If those businesses got supported and basically have a proof of concept, taxpayers would love that. When I was working as a teacher, I was frustrated that the Australian Government did not fund some small, fantastic solar panels. A guy in Sydney developed these very powerful solar panels but he had to go to China to develop them. There are things like that. Australians want innovation here, we want to be part of what we have got and we want the Government to support that as well.

**Mr CLAYTON BARR:** I will start by saying congratulations.

**Ms HARDMAN:** Thanks.

**Mr CLAYTON BARR:** What a fantastic initiative. I have travelled across the Pacific region and Indonesia a bit and the plastic problem is enormous. That was where your thinking seems to have started, so good on you.

**Ms HARDMAN:** Thanks.

**Mr CLAYTON BARR:** Do you consider your business to be a start-up?

**Ms HARDMAN:** Yes, I think so. I did not know what a start-up was a few years ago.

**Mr CLAYTON BARR:** What do you think it is?

**Ms HARDMAN:** You are just starting up.

**Mr CLAYTON BARR:** Yes. In old language, that would have been like a new business idea, a new enterprise or something like that. This "start-up" term seems to be linked to technology and online soft skills stuff. Yours is very much hardware—you said yourself that it is hardware.

**Ms HARDMAN:** Yes.

**Mr CLAYTON BARR:** It is a terrific business idea. This definition of start-up and how it is used is quite complex now. Would you not consider your business as a new business or a new business idea? Would you specifically anchor yourself in this start-up terminology?

**Ms HARDMAN:** I do not really understand the terms of business, not having studied business or been in business. Somebody asked me the other day, "You must be so proud that you have got your machine out there.

It is the first one out there. You must be so proud." I said, "Not really." It is like I have been training for a race. I was training, training, training, then I was doing the warm-up, then we delivered the machine, so I was at the starting blocks. I have not run the race yet; I am just about to start that race. All that preparation before was training for what I am about to do. In a way, I was going, "I am not really proud yet because I have not run the race yet. I have not changed anything—it is still just theory." I suppose that is a starting point.

**Mr CLAYTON BARR:** That is good. Is the manufacture of those machines going to happen in Coffs Harbour on an ongoing basis and is that going to create employment and jobs here?

**Ms HARDMAN:** Port Macquarie. We have got two companies that are working on it: Bale Engineering that does the army machines—they are fantastic. They are doing the shredder boxes. The other is MCT Engineering, which will do all the framing and electrics, and John Doolan. Those two are working on it currently. The only thing that we would possibly change if we take it into Indonesia, we would probably get them to build the frame so they are involved in some component. But all the electrics, the engineers and the brains of it all will stay in Australia.

**Mr CLAYTON BARR:** This is not a criticism, but why Port Macquarie and not Coffs Harbour?

**Ms HARDMAN:** Because that is the team that Mark Wolf has been working with for years. He is an environmental engineer doing big projects all through Indonesia. That is his team and they are spread out all over Australia. He works with the best people. I have given him machinery operations and he does all of that. I am more into education and program developing. I trust him with all the machinery components. What I am working on at the moment is developing. When I go to Bali, I am presenting a closed loop economic model, which shows how to create positive economic outcomes for communities by turning waste into resources—it is not detailed; it is quite simple—with collectors, transformers and then creators and other secondary users. But it links in a lot of different groups and a lot of collaboration. I have been very focused on getting that across. I am getting more traction now as a speaker in a lot of places where I can talk about how to become a plastic-neutral community but using the circular economy model.

**Mr CLAYTON BARR:** At a more local level—you can expand to make it as geographically big as you want—have you found your tribe? Do you tap into and connect with other start-up organisations around the Coffs Harbour region or the Mid North Coast or the State?

**Ms HARDMAN:** Yes, I am connecting with different groups in Australia. There are quite a few in Sydney. I quite like going down to Sydney and meeting with people there. We are working on different projects. We have manufacturers—there are a number of them—making highly crafted stuff from recycled ocean materials. We are the in-between link. There are a few in Coffs Harbour that I have linked with. There are people in Queensland, the Whitsundays and Cairns. I am starting to get a bit of network, which is really exciting.

**Mr CLAYTON BARR:** Because of the geography that you have described, the network is essentially Australia-wide as opposed to just in this region.

**Ms HARDMAN:** Yes. I am due to go to Melbourne to meet with RePlast and other companies down there to work on projects as well. We are all linking together. It is quite exciting because everyone is doing it for the same reason: to try to find solutions to waste. We have got one guy through NevHouse. They are talking about building an Innovation Aus group that will help start-ups like mine that find it a bit difficult to get going.

**Mr CLAYTON BARR:** Can I ask about your experience at Six Degrees? You said that one of the things that came out of that was that people taught you how to think and approach a business. Who are those people who helped you? Were they just other people using that incubator space as in peer to peer?

**Ms HARDMAN:** No.

**Mr CLAYTON BARR:** Was there someone with a specific skill set who was a coach, mentor or trainer?

**Ms HARDMAN:** Yes. Definitely from the beginning there was a coach there, Christina, who set it up. She was fantastic. She would be there every week, one day a week. Every day, we would all sit around a big table and just ask questions. Most of us would work on your computer. If a question came up, she could find the answers for you. She was a business development officer. There were other people working in her team in the business team in the council that I have become quite close to now. They are a phone call away and they think I am their little pin-up child, the one they helped get through as a business person. That was absolutely essential and really important. When I first started, it was quite isolating because I had quit my job and had been through horrible divorce stuff. I was quite low when I started my business and I did not quite know where to go, so having that to go to, try to work on it and build it up was fantastic. They gave me the confidence to go to the start-up and then gave me the confidence to speak. Two years ago I probably could not speak like this in front of members of Parliament.



**The CHAIR:** We are just normal people.

**Ms HARDMAN:** I know.

**Mr CLAYTON BARR:** No, we are not. We are far less than normal. Those are all the questions that I have for you. I congratulate you and applaud your work, given what it is meant to achieve. It is incredibly important.

**Ms HARDMAN:** Thanks heaps.

**Mr DAVID HARRIS:** I am incredibly impressed. It is a solution for the times, if you like. It probably helps that the advent of 3D printers is increasing, so you have a market to move to. Along those education lines, because it is a new concept, were you given guidance on how to establish intellectual property to make sure that your invention was locked in? You said there were other investors, so it looks like if someone saw it, they could steal it away and start doing it somewhere else?

**Ms HARDMAN:** We did have quite a few discussions around that. It was a shredder and an extruder, and there are big ones out there. There are no small mobile units, but it would not be hard to build one. I found I kept breaking the machine all the time, so they would have to get better and better and better until they were really robust. There are many features and people would not know what is in it. After a while, we started to realise that the special part of it was not so much the machinery but how we developed the programs and how we delivered them.

I have a three-stage program: empower, innovate and create. The first part—empower—is teaching people to flip their minds from saying "waste management" to "resource recovery". We get them to start thinking of it in terms of resource recovery rather than waste management. Once they start to understand that there is value in plastics and the only reason we have pollution is that we are throwing it away and not valuing it, you can make a big change and then they can get creative. You then bring in the science and chemistry of all the materials and so on. I think I missed the question.

**Mr DAVID HARRIS:** That is outstanding. I was concerned that through different government organisations and councils there was guidance in terms of understanding.

**Ms HARDMAN:** The guidance was there for the intellectual property [IP], which was great. I talked to a few lawyers and we trademarked the Shruder, our logos and things like that. We talked to a patent lawyer and they said how much it would cost. If we changed it by 10 per cent, it was no longer viable. We decided to go with it as it is now, and I had copyright for my education program. At the moment, we are developing it to see where it goes. Honestly, I would be more than happy to put myself out of business. The aim is to have no more plastic.

**The CHAIR:** You can say that confidently knowing it will never happen.

**Mr DAVID HARRIS:** You have your team together now and they have specific skills. Were they easy to find in the context of starting the business yourself, moving through the steps and so on? How were you then able to reach out to find people who were compatible not only with your business but also with your philosophy?

**Ms HARDMAN:** That was hit and miss. When I first started it was just me. My sister helped me with the graphics and my daughter, who does marketing, did a bit of social media. There were a few glitches along the way with testing and working with people. At the moment, it involves people who really believe in what I am doing and who have approached me, or good and solid friends who have started working with me. It happened very slowly, but I am starting to get the right people around me. Initially, I reached out and tried to see if a few people could work with me, but they were not quite right.

**Mr DAVID HARRIS:** Do you think that process was easier or harder because you are based in a region?

**Ms HARDMAN:** I think there are still opportunities here because there are so many talented people around. The difficulty was accessing something like a business centre or a co-working space. That is where I got to meet other marketers and people who could give me advice. That was more important; it was a spot where we could come together and share ideas. We were all in the same boat, so we would help each other in different ways.

**Mr DAVID HARRIS:** Do you think starting in a regional area was a disadvantage, or was it advantageous in some ways?

**Ms HARDMAN:** I do not think it was a disadvantage to be in Coffs Harbour because of the type of people we have here. It is just a matter of whether they can all come together and you can find them. The disadvantage would be having to travel for conferences and things like that.

**Mr DAVID HARRIS:** Is it harder to convince people to invest because you are here?

**Ms HARDMAN:** Yes, it is because my key focus is corporates. I am starting to develop corporate participation programs, and I want to be in Sydney so that I can knock on their doors and start presenting. I have a number of meetings arranged for when I am in Sydney on Thursday and Friday. You cannot do that here; we do not have the headquarters that they have down there. It depends on your market. I might eventually have to move to Sydney to be able to access that sort of network. Mine is a not localised business; it is an Asia-Pacific business with that focus.

**Mr DAVID HARRIS:** Have you ever had the opportunity to visit or are you aware of the Sydney Start-up Hub?

**Ms HARDMAN:** I have heard about it, but I do not know much about it. A few people have mentioned it, but I have not been there.

**The CHAIR:** It is worthwhile visiting.

**Ms HARDMAN:** Where is it?

**Mr ADAM CROUCH:** It is at Wynyard, near the train station.

**Mr DAVID HARRIS:** There are two or three fairly large start-up companies located there full-time that provide advice.

**Ms HARDMAN:** I wanted to participate in an accelerator program and I applied for a scholarship because it cost a bit. I thought that would be really good and I would have had to go to Sydney three days a week for three months. I want to set up a social hybrid business where I have a not-for-profit arm that is my education side separate from the machine side. I did not know how to do that, so I was very interested finding out. But, again, I did not fit into the mould and I did not get it. Accelerator programs would be good for getting advice. I have struggled with getting advice on business structures. That is probably my biggest thing. I am so different and I need the not-for-profit arrangement to get corporate sponsorship, but we are proprietary limited with the machines. I know they have to be separate, but I do not know how to set that up. I am still trying to work that out.

**The CHAIR:** If there were one thing you could point to that Government could do, whether it be to get out of your way or to help you—of course, that could be the same thing—what would it be?

**Ms HARDMAN:** Probably being able to get a \$50,000 loan that goes in between research and development so you can really get started. There is a gap there. Once your research is done and before you get the contracts coming in or you have one or two, it would be good to have that money to make that leap. That is the most important thing for me.

I know that in another 12 months I will probably have enough contracts and income to be able to apply for more funding. We will probably be off and running by then, but it would be good to have that money when we get to the point where we have to build the first five machines after we have put everything into research and development. We could use it to pay a graphic designer and to do brochures. Two guys have just done some fantastic filming. We are lucky that we now have some sponsorship from different companies to pay for the media, and we will use that for promotion to try to sell a few machines and programs. It is the proof of concept. Now that I have the first machine in the field, I can say, "Yes, I've done it; it works." It would be that in-between bit.

**The CHAIR:** Thank you for appearing before the Committee today. We may wish to send you some additional questions in writing, the replies to which will form part of your evidence and will be made public. Would you be happy to provide a written reply to any further questions that may be forthcoming?

**Ms HARDMAN:** Yes.

**Mr ADAM CROUCH:** You mentioned having to move to Sydney. Obviously that is not something you would be keen to do if you could avoid it; you would prefer to stay here. Have you investigated or trialled the idea of doing your business using Skype, for example, rather than physically travelling? Have you Skyped Coca-Cola Amatil rather than going to see them?

**Ms HARDMAN:** Yes.

**Mr ADAM CROUCH:** Would those businesses prefer to see you in person, or are they happy to engage online?

**Ms HARDMAN:** At the moment, all our meetings are on Skype. People call us from around the world. We do nearly everything using Skype. However, I find face-to-face meetings are a lot better because they can get to know you and you can develop a better relationship. I like to have lunch with them and to develop that relationship.

**Mr ADAM CROUCH:** It is a bit of both?

**Ms HARDMAN:** Yes.

**(The witness withdrew)**

**STEFAN MILLER**, Managing Director, ShotTrack, affirmed and examined

**The CHAIR:** Before we proceed, do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Mr MILLER:** No, that is fine.

**The CHAIR:** Before the Committee commences with questions, would you like to make an opening statement?

**Mr MILLER:** To tell you the truth, I am a little bit underprepared for this, but that is a positive because I am finding it hard to meet the requirements of demand in my business at the moment, so it is quite good.

**The CHAIR:** Congratulations.

**Mr MILLER:** It has been a long road. Basically, ShotTrack has been formed between my father and I. My father is an electronic design engineer, and I have done a lot of work in electronics and business management. We defined a gap in the market for controlled blasting in mining construction. We formed this company and we are developing I guess the specific products for that market gap at the moment, but we have also engineered them so that they can be applied to many other markets later on down the track. That is basically what ShotTrack is at the moment.

**The CHAIR:** You mentioned "other markets"—such as?

**Mr MILLER:** As I said, it is quite a niche market that we are in at the moment. It is mostly for optimising blast practices in mining, so to increase the yield, reduce labour costs, et cetera. The main product that we are designing at the moment is a fully self-contained vibration monitor, but it can also be used in bridge monitoring or structural monitoring. There is a very, very diverse, large market segment in multiple areas, construction, demolition, mostly infrastructure. Infrastructure is probably the biggest market.

**The CHAIR:** What made you come up with this?

**Mr MILLER:** How did we come up with this?

**The CHAIR:** What made you come up with it?

**Mr MILLER:** It was something my father and I were involved in years ago, about 15 years ago, with another company. It wanted us to develop something similar but back then global positioning systems [GPSs] were this big and everything was just too big. It was very hard to put into a small package, basically. Now, everything is readily available so we have managed to put all the smarts into one little common package. That is where the initial idea came from. There is nothing out there like that. My father and I got together and said, "Let's design it and put it out there."

**The CHAIR:** Were you a shot firer in the mines?

**Mr MILLER:** No. Both of us had just been doing electronics engineering, but we have had lots of contracts from mining companies. We work with—I do not know if I should say any names—quite a few mining companies, particularly one in Brisbane that has done quite well. They started from the University of Queensland and came out of JKTech. I do not know if you have heard of that. We developed basically their whole product. Now they are doing really, really well. So we decided to stop doing it for people and do it for ourselves.

**The CHAIR:** How did you make the connection in the first place to get into this market? Did they just out of the blue ring you up one day and say, "Can you do this?"

**Mr MILLER:** Pretty much, actually.

**The CHAIR:** What was your connection? You must have had some sort of connection?

**Mr MILLER:** Originally it was all just from electronics. We would do different schematics and electronic design and we just got into a little bit of work with a company called Matrix, and they were doing some work with various companies. And we did the original power line, which is a device that measures the velocity of detonation [VOD] of the explosive. That got superseded. Then another company asked us if we could make another iteration of that. It is quite expensive to design and bring out a new product. They said they will buy 20 units, which was enough to cover the research and development [R&D]. That is probably where the ball started to get rolling again. That is where the name ShotTrack came from. Then, once we had that product, we decided to do the vibration monitor, which is a much, much larger market segment.

**The CHAIR:** How long have you been going now?

**Mr MILLER:** I registered the business in 2014, so four years now.

**The CHAIR:** What were some of the challenges that you faced?

**Mr MILLER:** There have been a lot of challenges. We are basically self-funding the whole project. We sell a few units and that is enough just to do a bit more R&D and survive for a bit longer. But we have also had to do a lot of contract work in between so that the actual development of the product has taken a lot longer than we would have liked. Having said that, the reason I am here, the funding that I have received has helped immensely.

**The CHAIR:** What funding have you received?

**Mr MILLER:** I have got the MVP grant for two of the products, and that was enough to get at least the prototype up and running. I have been claiming the R&D tax incentive every year, and also the Export Market Development Grant [EMDG]. Advertising is probably the—it is a conference call to ISEE, which is the International Society of Explosives Engineers. That is an annual event that is held in America every year. We go to that every year, and then every second year there is the European version of that as well. The EMDG was great for the first few years, but obviously now it is at the tail end, it is only 10 per cent, so it is not really worth doing at the moment.

**Mr GREG APLIN:** I will pick up on that. Thank you for the background. It was quite illuminating. One of the questions we should ask is: how has government assisted and how could it assist in making the process you have described easier for you?

**Mr MILLER:** I am quite happy with what I have got so far. The hardest thing is the next step. I applied for the regional development grant but was denied that for some reason; I am not quite sure why. I thought we had quite a strong case. I applied also for the commercialisation grant. I gave it to the case manager and he said that I was probably asking for a bit too much money for what I am looking at. I do not know. The way they put it, you need to prove that people want it but you cannot have first say. It is a catch-22 situation. It is very hard to get another business to invest if we do not have any potential sales as yet. Having said that, I have just reapplied for the Accelerated Commercialisation [AC] grant but for a very modest amount. Our mass funding will come from potential sales. Sorry, we have two products. One on the market, which as I said is the VOD, which measures velocity of detonation and the vibration monitor is the one that I am trying to commercialise. The sales from the VOD will hopefully be the matched funding for the commercialisation grant.

**Mr GREG APLIN:** Are there any benefits in operating from a regional area? Clearly you travel internationally to market your products but can you talk about the regions, your experiences and your work within the innovation hub?

**Mr MILLER:** Yes. First of all, the innovation hub is fantastic. It is really great to work with. It is a good space and everyone is very helpful. Being an international company I think at the moment probably 75 per cent of our clientele are international so I do not really need to be in Sydney or Melbourne and this is not a bad place to live. It is a five-minute drive to work and there is the innovation hub. I cannot complain at all. I really like it.

**Mr GREG APLIN:** Then the question is: Clearly you have enunciated why you are able to operate. Do you get sufficient support and do you see that support there as being sufficient for others who might like to follow, not particularly in your path but in that same field as in start-ups?

**Mr MILLER:** Yes, I believe so. As I said, I am quite happy with the support I have received so far. I do not know if there could be something between the minimum viable products and commercialisation because that is the biggest void for us—just getting the product to a commercial level.

**Mr GREG APLIN:** The support in terms of networking, marketing and communications for those who might have less experience, because you came from working with other parties to doing it for yourself; for those who might be commencing without that experience, is it sufficient at present? How could you see it being grown?

**Mr MILLER:** As you say, I have come from a different angle. I think there is a fair bit of support here. I was actually surprised, once I got into all this, how much there actually is just on the whole Coffs Coast. There are so many small businesses that are making some really good stuff. We will network quite a bit.

**Mr GREG APLIN:** That was the key—the networking. Thank you.

**Mr ADAM CROUCH:** You mentioned before that you applied for a regional development grant but you were not successful. Am I right in saying that you had no response and no feedback as to why you were not successful?

**Mr MILLER:** No, not really.

**Mr ADAM CROUCH:** I gather from the evidence you have just given that you have been quite successful in applying for funding at many levels. Who provided you with the guidance to do that, as someone who is in a start-up effectively?

**Mr MILLER:** Yes.

**Mr ADAM CROUCH:** Were there effective mechanisms and who was your mentor to help you through that process?

**Mr MILLER:** Natalie Gillam has helped me through a lot of things. She has pointed out many grants that I should go for and the best way to approach these things.

**Mr ADAM CROUCH:** What is Natalie's role?

**Mr MILLER:** I have been talking to a lot of people about it.

**Mr ADAM CROUCH:** Who does she work for? Who employs her?

**Mr MILLER:** I am getting a little bit confused which one is State and which one is Federal.

**Mr ADAM CROUCH:** That is okay.

**Mr MILLER:** She is the regional manager—I am pretty sure it is the State—

**Mr ADAM CROUCH:** You can come back to us with an answer.

**Mr MILLER:** Yes, if I can come back to you that would be fine.

**Mr ADAM CROUCH:** That would be absolutely fine.

**Mr MILLER:** Obviously I have all her details.

**Mr ADAM CROUCH:** No problems at all.

**Mr MILLER:** I can answer that correctly at a later date.

**Mr ADAM CROUCH:** So she was giving you guidance about what funding you could apply for?

**Mr MILLER:** Yes.

**Mr ADAM CROUCH:** Do you believe that without that sort of guidance you would not have been able to achieve what you have achieved?

**Mr MILLER:** No, I would not have, no, definitely. There are so many different grants popping up and fading out all the time, so without having that up-to-date knowledge I would find it quite hard.

**Mr ADAM CROUCH:** We have heard other evidence where sometimes the parameters on the grants might change from year to year?

**Mr MILLER:** Yes.

**Mr ADAM CROUCH:** Did you have the same experience where one year you could apply for X but the next year you could not because the parameters had changed?

**Mr MILLER:** Yes, a little bit. I have been applying to get the AC grant basically from when I first started the company when I basically had our idea so it has been a leading entity, if you will, so it changes and modifies every year. On the whole it has all been fairly uniform.

**Mr ADAM CROUCH:** Do you believe that being on the Coffs Coast effectively has allowed you to network in a more easy manner? As Mr Aplin asked, because you are in a region you have definitely not seen that as being a detracting issue for your growth?

**Mr MILLER:** Not at all. I do not know if I would say it has been better or worse but to tell you the truth, the networking here is probably not that beneficial for my business because there are not that many people—

**Mr ADAM CROUCH:** Who specialise in what you do?

**Mr MILLER:** Yes, exactly, but I can definitely see the potential for local businesses that are selling locally, for sure. We have lots of networking events where we meet on a Thursday night and have drinks at various places or have dinner somewhere and that networking I can potentially see will be fantastic—again, not exactly for me.

**Mr ADAM CROUCH:** Obviously we heard a successful applicant earlier speak about part of the Coffs Coast pitch. Did you find that was beneficial in what you are doing and have you then been invited back as someone who has been successful to offer your insight and to educate others in the process?

**Mr MILLER:** Yes. For the Startup Coffs Coast last year I did a speech—I forget everyone's name now—for the MVP grant; I did a talk last year. The lady you had before actually won that one last year, which is good. I have had contact with other applicants for that particular year as well and I have helped a little bit with their applications, et cetera.

**Mr ADAM CROUCH:** Do you also think that we as a government should be doing more to look at advocating outside schools to encourage entrepreneurship especially because doing business has obviously changed quite dramatically? I notice on your website you have 50 years of experience because your father is included in that; you are a much younger person, nowhere near 50. As a younger person do you feel that we could be doing more with our up and coming school students to actively engage with them?

**Mr MILLER:** Yes, I do, definitely. I think I would probably have come to the table as such a lot earlier if there was more information at school because I was always interested in that kind of thing. It is only now that I have been doing digging that I have found everything.

**Mr ADAM CROUCH:** It is quite a complicated process to find.

**Mr MILLER:** It is actually.

**Mr CLAYTON BARR:** The Chair, Michael Johnsen, and I come from the Hunter Valley where there is obviously a significant coal industry. I do not know if your work takes you down that way.

**Mr MILLER:** Yes, we go to see companies at Kurri Kurri or Mount Thorley.

**Mr CLAYTON BARR:** Yes. In the brief biography we have here, the application of your product is about mining and construction. Is that where you do your monitoring work?

**Mr MILLER:** Yes, at the moment. As I mentioned, the vibration monitor compliance is by far a bigger field but there are already some very established players in that space at the moment. That is why we are going for the blast optimisation and then we are going to filter down to compliance and the other markets. But our specifications are very good compared to any of the competitors. We have not actually released that we will be doing compliance or anything at this stage. Where our idea came from with one company that I mentioned earlier on was that they wanted GPS. It is actually for timing. Currently, they get vibration monitors and they link them all together with bell wire. When one triggers they all trigger and that is how they get their timing. What we are doing is having individual units that trigger independently but then we can bring them all back to a common timestamp with GPS. It is all about timing. Everything is about timing.

**Mr CLAYTON BARR:** I have been at a coalmine when they have done their blasts and watched it go from one side to the other and move across the field like that. I understand the timing thing. I did not know how the mechanism worked, to be honest, but I think I just found out that there is a connecting line and it operates on the vibration, does it?

**Mr MILLER:** We are measuring the vibration. Vibration can give you a lot of data. The compliance is solely if there is a spike above what they are allowed to do. But when we are doing more R & D and using the seismograph for R & D then you can measure if a blast hole did not go off because there will be no vibration when there should have been at that precise time. You can tell if there was a misfire. With our high sampling rate we can actually get the attenuation and the harmonics of the vibration. At the moment they sample at 2,000 samples a second so you only get a very low frequency, whereas we sample at 64,000 samples a second and we get all the information that everyone else is missing.

**Mr CLAYTON BARR:** Because the nature of the industries that you work in I am a little bit intrigued about how you can be based in Coffs but work with those types of industries. Geographically that means you have to jump on an aeroplane and go there, does it?

**Mr MILLER:** Yes, but we are cutting down on the consulting side of it and we just want to be on the actual tech side of things. We want to establish a good distribution network and they will provide the actual service. We just want to get the actual product brand nice and well known and out there that way. Having said that, if we were living in Sydney we would still have to fly to Perth. In the Hunter we can get away with driving, but most mine sites are remote anyway. There are no advantages for us being in Sydney at all.

**Mr CLAYTON BARR:** I am sorry if I missed it somewhere along the way, but where are your products manufactured?

**Mr MILLER:** At the moment, me. I manufacture them.

**Mr CLAYTON BARR:** You make them?

**Mr MILLER:** Yes, here in Coffs Harbour.

**Mr CLAYTON BARR:** Do you just do that by yourself?

**Mr MILLER:** Yes.

**Mr CLAYTON BARR:** There is not a workforce around you doing that?

**Mr MILLER:** Not yet. That is why I am surprised I did not get the regional development grant, because my aim was to start up a factory here and employ people to manufacture it for me, et cetera. I thought I had a very good case for that.

**Mr CLAYTON BARR:** Do you think that the necessary skills are located here for your factory?

**Mr MILLER:** That is a different story. I used to teach at TAFE and the Enterprise and Training Company, so I believe I will be able to teach people the necessary skills, but I am not sure if there is a skilled enough workforce for what I need directly.

**Mr CLAYTON BARR:** Where did you learn your skills from?

**Mr MILLER:** Again, I just learnt them basically myself. I have not got an engineering degree; I just learnt all that myself as well.

**Mr CLAYTON BARR:** You were always tinkering?

**Mr MILLER:** Yes.

**Mr CLAYTON BARR:** There might be other young boys and girls out there who have been tinkering along as well.

**Mr MILLER:** I am sure there is. To tell you the truth, just last week I bought a pick and place machine. It is a robot that places components onto a circuit board. Before I used to do it with a semi-automatic pick and place; I would just do it by hand, which takes me a long time. I just sold my house so that I could buy that. I have had to go and live back with my parents now, but it is a sacrifice that I am hoping will pay off sooner rather than later. That cost me \$60,000 but it means I can keep the manufacturing here rather than do it offshore.

**Mr CLAYTON BARR:** When you do your grant application processes do those types of investments and instalments that you put into your own company count for anything?

**Mr MILLER:** Yes.

**Mr CLAYTON BARR:** Can you say you have already thrown in \$60,000 or \$20,000 or \$10,000?

**Mr MILLER:** Not for the ones I am doing but they do for the R & D of course, because all of this is still for research and development until we actually start to get sales. That makes a big difference. Obviously, because we are self-funding we are struggling, I must admit, until we get some high volumes of sales. But the R & D is usually just a top up that usually gets us back to living conditions again every year. It is all looking really well now too. I just sold five units this week. We sell them for \$8,000 a pop, so that has just kind of brought me back to zero with enough capital.

**Mr ADAM CROUCH:** The joys of small business.

**Mr MILLER:** It is quite exciting when you get back to zero. The product is getting recognised.

**Mr DAVID HARRIS:** Are you a local?

**Mr MILLER:** Yes.

**Mr DAVID HARRIS:** Did you grow up here?

**Mr MILLER:** I guess not. I came here when I was 14. I am 36 now, so I have been here for most of my life.

**Mr DAVID HARRIS:** Growing up and finishing high school and then moving into what you are doing now in a regional area, do you think that made life easier or harder in terms of your knowledge and the people around you and all those sorts of things than if you had been located somewhere else?

**Mr MILLER:** I think that it took a little bit more time to acknowledge that all the resources were there, but once I got on the path everything became quite evident and obvious. I do not think it was really a distraction



or a negative thing, no. But it was not on the plate as it may be in Sydney or wherever. I did have to do a bit more digging but, as I said, once you start everything just kind of rolls on.

**The CHAIR:** You may have been in the room earlier when I asked this question of our previous witness. Using your experience to date and using both your business brain and your taxpayer brain, do you think that governments should be considering venture capital type assistance? For example, what if they invest in your business to give you working capital to get to a certain point for a five-year period or something like that? Do you think that would be a good use of taxpayer dollars?

**Mr MILLER:** I do. I think that would be fantastic. If we had had something like that we would already be across the line and I would be—well, obviously everything has got to wait to be proven but, the way things are going, I could be exporting millions of dollars worth of equipment. Bringing that kind of money back into Australia I think is very beneficial.

**The CHAIR:** I just want to pick you up on one thing there, and the previous witness said exactly the same thing. That is, you have got to prove it beforehand. I think that is a very important point. If any government was going to consider using taxpayer dollars in such a way, because it is very difficult to pick a winner, then both of you who have had and are continuing to have success make the point willingly that you need to prove yourself first.

**Mr MILLER:** Yes. I can understand the predicament. It is very catch-22. This whole business is very fickle because people say, "It's got potential, but I'm not going to risk my money until it's proven." But we cannot prove it without the money. It is difficult.

**Mr GREG APLIN:** You mentioned your international connections and travelling overseas to trade fairs. I note on your website that you already have instructions in different languages.

**Mr MILLER:** Yes.

**Mr GREG APLIN:** Have you had to employ people to do that, or have you done it locally?

**Mr MILLER:** I do the translations as well.

**Mr GREG APLIN:** Congratulations. Do you need to be involved with a client in any installation or monitoring?

**Mr MILLER:** Not at the moment. The one product we have does not depend on anything else. However, the vibration monitor probably will, so we will probably have to get people to do the installation. Again, that is what I am trying to do with the distributors.

**Mr GREG APLIN:** Obviously there would be some opportunity, but that would probably take us out of the realm of start-ups. I think you mentioned Austrade earlier. Clearly, as you said, the proof of the product gives you the opportunity to market not only in Australia but also internationally. Congratulations, I think there is a wide-open field and we wish you all the best.

**Mr MILLER:** Thank you very much. I also believe there is.

**The CHAIR:** Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide written replies to any questions that may be forthcoming?

**Mr MILLER:** Yes.

**The CHAIR:** I think Mr Crouch asked one question on notice.

**Mr MILLER:** Yes, I will provide that detail.

**The CHAIR:** We wish you the greatest success.

**Mr MILLER:** This equipment will provide a very good foundation for a service-based industry revolving around our products. Obviously I cannot service them myself because I already have 20 hats. There is definitely good potential for some service-based companies to use our equipment in Australia or internationally. I would not mind starting that if I can.

**Mr GREG APLIN:** Another start-up, congratulations.

**The CHAIR:** You want 21 hats.

**Mr MILLER:** Yes, it is a good number.

**(The witness withdrew)**

**(Luncheon adjournment)**

**WARREN GRIMSHAW**, AM, Chair, Coffs Harbour Technology Park Board, sworn and examined

**ANTHONY ROTHACKER**, Manager, Coffs Harbour Innovation Centre, affirmed and examined

**STUART SMITH**, Business Development Manager (Research), Southern Cross University, affirmed and examined

**The CHAIR:** Thank you for appearing before the Committee today. Do any of you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Mr GRIMSHAW:** No.

**Mr ROTHACKER:** No.

**Professor SMITH:** No.

**The CHAIR:** Would any or all of you like to make an opening statement?

**Mr GRIMSHAW:** I will start by providing some background about the Coffs Harbour Technology Park and the way in which we see the park developing. About 18 years ago, the then Minister for Education, John Aquilina, ceded a significant parcel of land to the Coffs Harbour Technology Park Board on a 99-year lease. The purpose of that ceding and the lease was to promote the use of technology, new business development and partnerships between Southern Cross University, TAFE and the city council.

At the beginning, it was established through the joint effort of those three partners, and each contributed \$175,000 to create the park, which was matched by the Commonwealth Government to enable buildings to be constructed and for it to get underway. It has been hard going in terms of promoting the park itself and the innovation hub, as it is now, in the sense that 18 years ago Coffs Harbour was nothing like the Coffs Harbour of today. Industry development and potential innovation is now becoming more apparent and obvious as we go forward. We had a period of difficulty, but in the past few years we have traded rather well. We are now a situation where we can at least pay Tony Rothacker and do a few other things in promoting the opportunities that the hub now offers.

The past few years have been particularly successful and we are now beginning to achieve our mission, which is to encourage innovation, development, technology and new business development or start-up development within the region and to provide additional employment opportunities for the young people of the area. As members know, it has a low socioeconomic status, high youth unemployment, high Aboriginality and other issues. With government support, I think we can do something unique in New South Wales and Australia in a regional setting.

**Professor SMITH:** I am a relatively recent employee at Southern Cross University, particularly in the role of business development manager. I am representing predominantly the points of view of my colleagues in the enterprise lab and our engagement group, particularly Mr Ben Roche. I thank him for informing me about many of our activities in innovation and support of start-ups. The university is spread across three campuses: our campus in Coffs Harbour; our main campus in Lismore, and we tend to be a very Lismore-centric university; and our campus across the border on the Gold Coast. I think we are able capture a range of the challenges of providing support for start-ups in regional New South Wales and also moving into South East Queensland.

**Mr GREG APLIN:** What are the roles for local universities in the regional start-up scene? We are all from regional areas and we are very interested in the fact that so often universities provide what might be considered the nucleus. We want to see how that might grow, what works from a practical point of view, and then perhaps we can get an overall academic view.

**Mr GRIMSHAW:** The history of technology parks across the world is that they best survive in partnership with a university or a vocational education provider, in this instance TAFE NSW. That was critical and that was one of the key reasons why we established the innovation centre and the technology park on the Coffs Harbour Education Campus. The intention was to have the closest possible relationships between the development of the technology park and the university and TAFE in providing opportunities for start-ups; the university potentially in research and working with the university on new ideas and the ways in which they can support the activities of the emerging businesses, and TAFE in vocational education to provide opportunities for career development through training and education as well. I think it was a deliberate attempt to try to massage and develop further the links between the innovation centre and the tertiary providers, university and TAFE.

Has it worked? To varying degrees. Sometimes it works; sometimes it does not work so well. I think since Mr Rothacker has taken up the job of manager very close links are being forged between the innovation

centre and the Southern Cross University, in particular. TAFE is undergoing a restructure at the moment, which is something we have to deal with. The university is showing real interest now in the way in which we are developing opportunities for emerging businesses and working with partners. I mentioned earlier that I am Chair of the Mid North Coast Local Health District board. They have enormous challenges in delivering programs in the emergency departments [ED], meeting targets in surgery and the ways in which we are dealing with chronic illnesses. All of those challenges can come to the fore through the development of business around those sorts of opportunities. I think the university has an enormous role to play in assisting in these sorts of developments.

**Mr GREG APLIN:** Could you refer to the contribution of the Government in this as well?

**Mr GRIMSHAW:** Perhaps I should deal with the government question, having been in government for a long time. The Government is critical. There is no way in this environment, in this community, in this region that we can be self-sustaining without government support. As I mentioned, we gave the Federal Government the opportunity to match the funds provided by the three partners in development of the innovation centre, which you will see later today. Without government support it is going to be extraordinarily difficult to go forward, because businesses are not the businesses of Sydney, they cannot afford major or significant rents. We provide discount rents; therefore the opportunity is there for these sorts of businesses. We will continue and do certain things but without government support we cannot go forward in the way in which our vision engages us.

**Mr ROTHACKER:** Where shall I start?

**The CHAIR:** Wherever you like.

**Mr ROTHACKER:** I think the question is valid. Start-up and venture companies deal flow and the opportunities or the pipeline of opportunities to invest is crucial. In the regional setting it is slightly challenging to have the ideal flow of opportunities to invest. Similarly with an incubator or a start-up space, such as the innovation hub. Going through the recent changes in education; regional education is struggling and a lot of youth are moving towards the major cities. The courses being offered are now challenged with online providers. They are challenging the market. You have from General Assembly to Academics Eye who offer online or mixed mode type of courses that are facilitated online. It is very hard for the universities and TAFE to compete in a very lean type of education provider area. Maybe Professor Smith can reflect on the student numbers in Coffs Harbour that have resulted in a substantial fall over the last few years. That indicates also the feed-in challenge going into the innovation space and start-ups. That is the major challenge we are focusing on.

Also change the infrastructure, change the ecosystems on the mid North Coast going from a manufacturing, agriculture, hospitality and tourism background into more a technology-driven space. That is quite challenging if you do not have courses offered on campus. Right now, I do not think we have onsite an information technology [IT] business course being offered in Coffs Harbour from the university.

**Professor SMITH:** Correct.

**Mr ROTHACKER:** If you look at the current stronghold, we have midwifery, nursing and tourism as well.

**Professor SMITH:** And education.

**Mr ROTHACKER:** And how many are on campus? The majority is online, is it not?

**Professor SMITH:** Yes. We are seeing an increasing move towards online.

**Mr GREG APLIN:** Professor Smith, how do you bring that about and manage the mix of new and experienced entrepreneurs?

**Professor SMITH:** This is a really interesting point that you have raised first off. Traditionally, universities have been the generators and disseminators of knowledge and information. That is their core business and it has been for centuries. We have been running on a business model that is effectively centuries old. Within the past decade the technological enablers have severely and rapidly disrupted our business model. Mr Rothacker has articulated that we in university land, and particularly in regional universities, are starting to see a number of the students in our catchment areas leaving our physical face-to-face offerings and going online. I was discussing with Mr Grimshaw earlier that I am about to start a course that is offered through a major United States university. I can do that online. We are struggling with this challenge at the moment.

I think the roles of regional universities going forward will be to leverage off the capacities and the opportunities that we have of the environments within which we are placed and operating. We have very good, close networks here in Coffs Harbour, Lismore and on the Gold Coast. I think the universities need to make much more use of those kinds of deep connections that we have within the communities that we are embedded in to start to answer some of the questions that are relevant and pertinent and necessary for them. Here on the mid North

Coast we have challenges such as an ageing population. This is a challenge not just for our region, but it is a global challenge. Within the next few decades in some parts of the world we will see 22 per cent to 25 per cent of populations aged 65 and older. That is one of the major issues here in Coff's Harbour. In fact on a daily basis as I look out on the Pacific Highway I will count hundreds of grey nomads going past our campus in their caravans. That to me speaks of the fact that there is an opportunity space in an ageing Australia that we in regional universities really need to start to capture.

Mr Grimshaw has also raised the issue of the fact that the populations that surround us tend to be of a lower socioeconomic status. Associated with those kinds of communities, unfortunately, are high rates of obesity, chronic disease and mental health issues. These are all the kinds of challenges that are around us in regional universities. I think we are very well placed to capture and to work with them. We do have challenges, absolutely. We need to be able to change our business model, to think about offering more industry-relevant and community-relevant degree offerings, even to the extent of perhaps not going down the path of continuing to offer those three- or four-year degrees for careers that may not exist in the next decade. We have to be agile in thinking about what are the offerings that we have that are going to respond to the workforce of the future.

You all no doubt are aware of the kinds of stories about the changing nature of the workforce. Just within the last week I have heard at least four or five different in-depth radio reports on the changing nature of the workforce. The kinds of students that we are training now will be looking for very different kinds of skill sets as they graduate. We need to be able to respond to that. I think there are challenges for us in universities in the regions. We need to face up to those challenges and we need to be more responsive in working with local businesses that are addressing local challenges. Part of the difficulty in doing that is that the drivers, particularly around funding in the university sector, are often very different to the kinds of drivers for funding in industry. Often I have this challenge of how to marry up the questions that industry partners need to have answered with the ways in which we can pursue those answers within the university.

I will give you a quick example. A few years ago I led a Cooperative Research Centre bid when I was based at another regional university down in Tasmania. It was around ageing and technologies in ageing. We went to industry partners and we said, "Okay, we have got this funding mechanism." The cooperative centres are all about how do you support industry-driven research and I went to industry partners and I wanted to engage them in contributing to the research agenda. They would say, "Tell us how long you want us to sign up for" and 10 years is how long you sign up to a cooperative research centre for. One guy in particular said to me, "Stu, that is wonderful. Do you want me to contribute a number of millions of dollars over the next 10 years? Let me tell you something: if I get a product to market in 30 days I get a massive bonus. If I get a product to market in 60 days, my bonus isn't as big and if I get a product to market in 90 days I don't get any bonus at all, so you tell me why I should become involved in this funding mechanism?" This is something that the Committee should address: The relationship between the pools of funding that are available to support industry-driven research that marry up with universities and the realities of doing that business.

**Mr GREG APLIN:** You have ended where I want to take you and perhaps I will throw this to Mr Grimshaw. The examples that have been given by Professor Smith are relevant but they are all over a longer period. What we are hearing from individuals is that they have their ideas, they want to network with other people of like minds and they want to gain from them assistance in particular areas that they lack, for instance, sales or marketing, something along those lines. How can they access it through the innovation hub?

**Mr GRIMSHAW:** I think that is where government support comes to the fore, and that is one of the issues. That sort of advice does not always come at no cost. In order to get that advice, in order for emerging businesses to take the best possible advice, we have to put them in touch with the appropriate skills that enable that to happen. Now those skills, of course, are not as readily available in the regions as they are in the city but at the same time they are in the business also of earning an income so therefore there are costs associated with that. What we really need is government support around the innovation activities so that we can use the money to engage and use those to bring those skills to the emerging businesses, to our start-ups. I think that is the real key to going forward. We have been able to do that to a limited extent but our budget is limited as well. Our only source of recurrent income at the moment is by rentals. As I just mentioned, we reduced the rentals so as to attract and encourage start-up businesses to come into the environment and start developing, and any number have, and they have done very well; they have grown and they are prospering out in the community. So it is happening but I think we need support to enable that to happen more frequently and more in depth.

**Mr ADAM CROUCH:** Thank you, gentlemen, for giving evidence today. You mentioned that the only form of income the sector now has is reduced rentals. How many start-ups currently work out of the Innovation Centre?

**Mr ROTHACKER:** We have nine permanent start-ups but some are more mature than others, so we call them accelerating businesses, and some incubating businesses within the hub, and then we have about 15 more permanent core workers. We have a boardroom that we rent out and the renting out of the boardroom gives us additional income.

**Mr ADAM CROUCH:** You mentioned, Professor, that you cover quite a distance and even cross-border into Queensland. We heard in Albury the difference in the playing field between Victoria and New South Wales. Are there benefits to people crossing the border into Queensland to look at the acceleration or start-up hubs or technology advancements outside New South Wales? You probably have intimate knowledge of this but are there incentives and, if so, what incentives and how could New South Wales adapt what it is doing to make it more competitive?

**Professor SMITH:** That is a really salient point. We need to think outside of our borders and outside of our geography in the ways that we are supporting start-ups. We do know that across Australia each State has its own approach to supporting start-ups. Just last week I was in a teleconference with the Victorian Government working with a start-up down there that is looking for ways that it can grow its business. It struck me that the kinds of things that they are wanting to do there, I would love them to be able to do here in Coffs Harbour but some of the funding mechanisms seem to be much better tuned to what that particular start-up needed to do.

Also I think we need to be taking that broader perspective outside of our traditional boundaries because the kinds of challenges that we face in regional Australia and regional New South Wales are the same sorts of challenges that regional areas across the globe are also facing. If we look at the kinds of issues that regions face—and I have already articulated a couple of those, such as ageing, chronic disease and low socio-economic status and the challenge of workforce—every country in the world that has populous in these regional centres are facing the same thing. There are ways in which we can think about addressing those challenges on a global stage that would certainly benefit.

Through the activities of the Enterprise Centre at Southern Cross University we are running start-up workshop events not only in our Lismore campus but we have also just run one in our Gold Coast campus. Just yesterday I was up at Tweed Heads working with a partner right on the border. That is actually a company that is based in Queensland but the company has another operation in Tweed Heads, just over the border. We can work very closely with that organisation that has not just a New South Wales focus but also an international focus. The question is: How do we leverage off the different funding mechanisms that are available in each State to enable those companies to do business.

**Mr ADAM CROUCH:** Further to that, what could we recommend the Government do to make those funding mechanisms more attainable and provide more incentive for people to stay here in New South Wales and to take on those funding models? What would you suggest?

**Professor SMITH:** I would love to see a solution in this space. My only area of research is around the application of interactive digital technologies in health, essentially games for health. For a long time Australia has been a world leader in the game development sector and the two epicentres of game development in this country are Brisbane and Melbourne. New South Wales is missing out in a big way in game development. There was a recent Senate inquiry into the future of the Australian game development industry and one of the submissions that I put forward when I was at another regional university—the University of the Sunshine Coast—was that there are ways in which we could build a serious games development industry in Australia, and particularly we can do it in regional areas.

But the challenge is that all the good Game Devs are in Brisbane or Melbourne. If I am here in Coffs Harbour and I want to use my intellectual capital to develop games where I can work with Mr Grimshaw and the people at the local health districts to develop game-based solutions for health, I currently cannot drag in any of the Game Devs in New South Wales because they do not really exist. The best ones are in Brisbane so if there was a way that I could build a partnership with a Queensland-based company or a Victorian-based company to work with a New South Wales partner, that would certainly help accelerate the way in which we could address some of these issues.

**Mr ADAM CROUCH:** We have heard other evidence this morning about the size of grants and the fact you have a \$50,000 co-funded grant. That in itself can be a barrier because not everyone has \$50,000 sitting in their pocket. What sort of structure do you think could be a positive for New South Wales moving forward? If we wanted to encourage those entrepreneurs, what sort of structure would you recommend? What do we need to do to entice them because at the moment the feedback we are getting is that New South Wales is lagging behind Victoria, for instance, if we were in Albury, and potentially Queensland, you are saying. What do we need to do to change that?

**Professor SMITH:** Absolutely. The group in Melbourne that I was talking about with the Victorian State Government, the funding mechanisms that were put on the table with that company were all leveraged funding. It was, "If you can contribute \$15,000, \$30,000 or \$50,000—

**Mr ADAM CROUCH:** Was it a sliding scale of funding effectively?

**Professor SMITH:** They were not necessarily, no. They were just, "These are the mechanisms that we have got. We can fund you up to \$50,000 if you can kick in \$25,000." For a start-up like them, which is throwing in all of their resources—they have brought in all their family funding—does not have any spare money because it is already spent on the personnel they have got to help them get the product to a point where they can actually then go for subsequent investment. I said to the managing director of that company afterwards, "What's the big barrier here?" He said, "I just don't have any money. If there was a way that I could get support on a short-term basis that I would be happy to pay back"—

**Mr ADAM CROUCH:** An interest-free loan?

**Professor SMITH:** Absolutely. He said, "That would help me get up to the point where I could get the product to market and I could start to get out there and bring in those clients that I need to show that I can grow the business." That would be a really good thing to do.

**Mr GRIMSHAW:** One of the great impediments is the matched funding deal. The Government will put in \$50,000 provided that, in our case, the Innovation Centre puts in \$50,000. We do not have \$50,000 to spend on that. We need to run the enterprise and the organisation. Therefore, that is an immediate impediment. I think some of the Commonwealth money, for example, is based on that. We are not able to compete because if the partners are stretched for funding they are not able to "kick the tin" in order to match that funding. We do not have the resources in the Innovation Centre itself in our bank account to enable that to happen. We need to come to grips with the way in which those funds are allocated.

While you do not want to pick winners—and I do not think there are winners—if there is something emerging that is really good, and I think there are a few things really emerging in our region at the moment, why do we not channel the money into those sorts of enterprises? That will enable us to really work and obtain the specialist advice not only locally but also internationally and nationally with the universities and with TAFE if necessary to muster the resources around the opportunities that would offer. That is giving that company an advantage but on the other hand it is creating jobs, it is creating opportunities for young people, it is overcoming the socio-economic status [SES] problem by providing permanent jobs and ongoing salary jobs rather than part-time hospitality jobs which do not pay very much.

Unless we do something like that our SES level will continue to be exactly where it is at the moment without any improvement. That is not my goal and I know it is not the goal of this community. I think those sorts of things ought to be considered as you go forward in maximising the opportunities that are here and maximising the talent that is here, especially young people and the opportunities for them to go into business and to prosper.

**Mr ADAM CROUCH:** Having more flexibility in the funding model would open the doors to more opportunity?

**Mr GRIMSHAW:** Absolutely. We were able to extend the centre a little bit with State Government money of \$300,000 about four years ago, which has made a big difference to our bottom line. We were able to do that under a special grant and we did not have to match funding. But a lot of the money now is matched funding deals and I think that is where we face a barrier going forward. It is all right if you have got millions of dollars to match but not if you do not have millions of dollars. The enterprises themselves do not have millions of dollars. They are start-ups. How do we overcome that barrier?

**Mr ADAM CROUCH:** I think you mentioned that you had nine accelerating businesses and 15 mature ones, although you can correct me if I am wrong. How do you encourage the seasoned or mature ones to engage with the accelerating ones? Here in the region what mechanisms are in place to bring the two of them together?

**Mr ROTHACKER:** The major challenge for any government funding is to make a long-term impact. Many funding models give you an injection and then it is a bit hard for a start-up or an incubator to survive if there is no ongoing funding model. That is why many infrastructure funding models are available but there is not much for actual operations. I basically gave a real commitment to make a difference on the Mid North Coast. I am on the board of Regional Development Australia and I really want to make a difference along the whole Mid North Coast. The key challenge for us is to make it sustainable.

I will just give you a perspective. My position is 20 hours a week and—I am quite open—it is around \$39,000 per year. It is not much from an income point of view. I have got a family of four. I have got four kids and they all go to school and so on. It is not much of a financial benefit that I gain to operate the centre. While

I run my consulting company on the side it allows me to operate the centre as well. My consulting company is in online learning. I get to see what other universities around the world and in Australia do and how they approach start-ups, how they approach their students and what they educate them in. The key element for us is to find sustainable partners. That is why we launched an open innovation challenge at the beginning of this year to partner with a local partner, which is the Mid North Coast Local Health District.

The key driver for innovation is change that creates value. Innovation is change that creates value. How can we create value on the challenges that the Mid North Coast Local Health District is facing right now? I was given four challenges: emergency department response rate, youth obesity, Aboriginal mothers smoking during pregnancy, and youth suicide. Due to lack of funding and resources we are focused now on two innovation challenges, which is the Aboriginal mothers smoking during pregnancy and youth suicide. We have the second highest suicide rate in New South Wales and we have the second highest youth unemployment rate in New South Wales after Wollongong. We are addressing big issues here with this innovation challenge.

Now we have the university on board, we have key stakeholders from the whole community and we are engaging holistically and consulting together using the innovation hub as a resource to make it happen. That will drive—or hopefully it will drive, because it is the first year we are doing it—a movement towards the future where we can actually see that there is funding coming forward where we can create value for the key stakeholders. It could be applied to aged care, it could be applied to agriculture if we have it and it could be applied to tourism. Hopefully we can have those three or four pillars defined and the key stakeholders, the big heavy hitters like the Mid North Coast Local Health District, Costa Exchange and so on, to help us drive innovation on the mid North Coast. The burden and the challenges we have on the mid North Coast could be our advantage to attract and make it sustainable in the long term. Hopefully with the funding from the Government we can kickstart this campaign.

**Professor SMITH:** I have worked in three different regional universities, I have seen innovation initiatives in all of those universities and I have watched the innovation space across the globe. I think one of the missing pieces of the puzzle in this is that very few innovation sets of activities really focus in on a key issue. Mr Rothacker has articulated that we are working with the health district. I have already said, and so has Mr Grimshaw, that those are part of the challenges that we have here on the Mid North Coast. If there was a way that we could think about providing opportunities for innovators to work in a constrained set of challenges that are nationally significant challenges—the ageing population and health issues are one, food produce and food security is potentially another, and maybe tourism is another—those are the kinds of issues that surround us in regional universities.

Potentially one of the ways in which the Government could help foster and facilitate start-ups is to say, "We are not just going to fund you to come along with your great idea and we will show you how to become an entrepreneur with that great idea. We will actually focus your mind on these big societally relevant challenges that we have." I think that would be an innovative step forward in the framing of how we do innovation and support our start-ups in this country.

**Mr CLAYTON BARR:** Mr Rothacker, in the first part of your submission in response to the effectiveness of State Government policies and programs aimed at supporting start-ups in regional areas you wrote that the regional start-up ecosystem relies heavily on local government support, especially when addressing the early stages. What did you mean by that and can you explain your experience of that in this area?

**Mr ROTHACKER:** When I wrote the submission it was more related to initiatives by the local government that they support in the co-working space. In Six Degrees Co-working—you probably heard from Stephen Saunders and Fiona Barden earlier—it works very well. They have the local pitch competition and that is the early stage. As a consultant you analyse what is happening around the world, and there are different stages of a start-up ecosystem. We are in a very early stage. We do not have a venture capitalist here. We do not have an investment fund. We do not have a formal accelerator or incubator program here. But we are in the very early stage where we can help early start-up businesses to network and mingle together. The co-working spaces and the events that Coffs Harbour City Council put up are perfect. It is exactly what we need to do.

From the innovation hub point of view we struggle to do that because we do not have funding to put networking events up. We can provide the space but in order to organise events and invite international speakers to it you need additional funding to do that. Right now the Innovation Centre is 16 years old. Half of the money that is coming in from the rent is being spent on maintenance and refurbishment and fridges in the kitchen and so on. It is a bit hard to have the flow state where you have enough income to generate those inner events and programs that would attract people to come together.

**Mr CLAYTON BARR:** You have been watching this across the rest of State, the rest of the country and across the world. Is your observation that local governments in all of those spaces are as important as Coffs Harbour here?



**Mr ROTHACKER:** Some local governments are more advanced than others but the innovation systems should be driven by entrepreneurs. It should not be driven hierarchically; it should be more driven by entrepreneurs who want to make a difference and then give back to the community. It is a very tricky situation where you mix entrepreneurs with government in hierarchical organisations. Someone called Brad Feld analysed very well how to address it. It is a long-term view; it is not a short-term view. That is what needs to be taken into account: how you actually monitor those financial supports. As a really great example, I love to quote from Singapore. Singapore is also thriving in the start-up space. The view of many venture capitalists is: "We really welcome the government to the table, but hands out." They need to be part of it, they are part of the solution, they are part of the feeder organisations but the innovation and start-up space should be driven by entrepreneurs who are keen to solve global problems.

**Mr CLAYTON BARR:** Is the role of government then about providing a bricks-and-mortar environment where you have power, plug-in and internet access?

**Mr ROTHACKER:** That is what we have but we need funding for the initial start-up events. It is great to have a start-up hub as a regional landing pad in Sydney but at the same time I am wondering how the regions are going to benefit from it, because most of the time is spent in the regions.

**Mr CLAYTON BARR:** I am quoting from your submission:

We want to make sure knowledge workers have access to the necessary skills to innovate and start great companies ...

In your mind, how does that work? How do we make sure that knowledge workers have access to the necessary skills?

**Mr ROTHACKER:** Great question.

**Mr CLAYTON BARR:** They are your words.

**Mr ROTHACKER:** In relation to education within start-up spaces, if you look at what is happening right now in technology space—from cryptocurrency to Internet of Things to helping women to gain in technology space and embracing the latest in technology such as augmented reality and virtual reality—it is not happening on the Mid North Coast right now. We do not have education providers doing that. If you go to TAFE—I know it might be changing now—and you do an IT course, they still train you to use Dreamweaver and how to create a website rather than going through a WordPress course and so on. So they are more education providers: They provide more relevant technology-driven curricula than the current universities. I am not blaming the universities, because when they create a course they have to get it peer-reviewed. It takes at least two years to put a course together. If you look at Coder Academy or Academy Xi, they go to the employer and say, "What skills are you looking for? If I put a course on blockchain for six months, and I have 100 applicants and you can select five of them, would you support me? Do you have half a million dollars for it?"

**Mr CLAYTON BARR:** What about the local investment fund concept that you have here? You have spoken about what role government could play. To me, that sounds like government providing a bucket of money. At the local level, there are decisions made about distribution, investment, picking the winners, backing a thought, idea or network in—coming out of a centralised fund provided by the government.

**Mr ROTHACKER:** I did not mean the Government; I mean that an early-stage limited partnership venture capitalist fund is driven by entrepreneurs. If it is a regional investment fund, it should be driven by the regional needs. I think that should be the aim of the fund. The Federal Government is providing guidelines around that, which is great. I do not know how a State Government could support it from its point of view. I do not think that State Government would be an investor in that. I did not mean that.

**Mr CLAYTON BARR:** One of the great challenges for any Government—local, State or Federal—is that it is essentially taxpayers' money and it needs to be accounted for. It needs to be measured and explained, and there needs to be some transparency around that. From a start-up perspective, any request to apply for it and then report back on it might be interpreted as red tape: "You're just getting in the way, you're making it hard, you are creating our barrier to what we want to do." We are politicians and have an accountability to the taxpayer, but we want to support start-ups and remove barriers. How do we dance around that one and find a balance that is acceptable and reasonable to all parties?

**Mr GRIMSHAW:** If I could come in on this, I think what we have got to do is measure outcomes. You have inputs, which might be funding, but in order to judge the success of the programs, you need to assess the outcomes—that is, in many senses, the number of jobs engaged, the number of jobs created and the types of jobs that are created. I think the funding mechanisms should rely and seek advice on potential outcomes of each of the new businesses which are emerging and developing. I think that is a critical component. Sometimes we think about inputs and we do not think about outcomes, but we have got to change that mindset. Government money is

absolutely essential in this region—there is no question—if we are to go forward and to overcome some economic barriers that exist which Professor Smith has outlined in terms of ageing, SES and whatever. But at the end of the day, we do not want government putting up money which is not going to yield an outcome. That is just wasteful of government funds.

One of the things that we are facing at the moment is that we have got a new business service and the innovation hub but, when they move on, when they are in that transition stage of moving out into that community and starting out on their own, we do not have the facilities to enable them to do that. The transitioning is difficult—it is either here or you go out. What we would like to do is to have an accelerator opportunity so that businesses can remain in that environment and pass on their skills and what they have learnt to new and incubating businesses. That is the sort of environment we want to establish. That is the sort of environment the successful incubators and successful innovation hubs have established in the major capitals. I think that is what we need to be striving for. Even in that situation, we should be relying and accounting on outcomes and the ways in which those initiatives are producing jobs and new skills in the community and our region—not just the community but our region.

**Mr CLAYTON BARR:** Let me pose this to you in a practical sense about measuring outcomes as opposed to inputs. Let us say you were going to apply for \$50,000. You are going to rent a space, have tables and chairs, hold a networking event every month and we will get a guest speaker every second month. I think these are what you would call inputs. They are measurable. In the end, you might have achieved nothing—but have you done everything you said you would do? Yes, so we can account for \$50,000. Can you reframe that for me in terms of outcomes? If you are going to get \$50,000, what are the measurable outcomes that I, as a government, should be looking for you to deliver from your \$50,000?

**Mr GRIMSHAW:** It is what we do every day: key performance indicators [KPIs]. You establish a series of KPIs on the funding that is being provided and you are accountable for meeting those KPIs. That is what organisations work on, and that is what I work on as the chair of boards. They are the KPIs and the outcomes which measure against them. You can measure it if you have KPIs and defined outcomes to start with. Of course, governments have the opportunity to say, "Oh, well, we may have lost \$20,000 or \$40,000 but we're not going to give any more money because there are no outcomes." I think there has got to be a bit of a risk-taking factor in all of this as well. While you are looking for outcomes, there has got to be a risk factor. I have seen it over the years with organisations themselves, the innovating companies or companies which are start-ups. They are taking a risk. They are in there. Sometimes they cannot pay their rent because their risk is too great and they are not succeeding in their endeavour. There has got to be a risk factor. I agree it is an input, but it is also an outcome that you have been measuring against in terms of the KPIs.

**Mr CLAYTON BARR:** I understand KPIs and all of that sort of stuff. What do the taxpayers really want to know? They gave your organisation \$50,000. They do not want to know that you turned up at a certain time of the day.

**Mr GRIMSHAW:** No.

**Mr CLAYTON BARR:** They do not want to know that you filled in your monthly report or that you networked 17 times that month. They invested \$50,000 in some sort of start-up scheme. What do the taxpayers want to see as an outcome? Do they want five successful start-ups? What is a successful start-up? I do not know. Can you provide a framework for a successful start-up in that sense?

**Mr GRIMSHAW:** Jobs and skills. You raising the skill level in the community and the region and you are creating jobs in the areas that yield the best benefit to the region. At the end of the day, it is skills and jobs. We can talk about links with universities, and that is a means to secure that outcome. If you look at it in that context, we are relating to Southern Cross University to secure an outcome. It might be an educational outcome; the KPI might be that we are raising the skill level at that enterprise. In the scenario that Mr Rothacker just painted, it might be that we find a solution to the admission to emergency departments issue or to the way in which chronic disease or mental health are treated. They are the sorts of outcomes I would be looking for, and you can measure those if you establish the appropriate mechanisms for doing so.

**Professor SMITH:** One of the best pieces of advice in my career as a researcher was given to me when I was working in Europe. I was living in Ireland, which went through its own start-up culture. I was told that the best thing I could do when I was seeking funding would be to read European parliamentary documents and then work out the hot topics and pain points of Europe. I was advised to be sure that my applications for funding were framed around those big societal challenges. That is the point you are getting to: What is the return on investment for taxpayers?

We in university land must have a good look at the fact that we have been funded for decades on the back of the taxpayer almost to pursue our own hobbies. You can ask any researcher or scientist what they are doing

and they will tell you that they are working on stuff they are really interested in. It is potentially not something of particular relevance to the society within which they operate. What are you going to do with the funding we will give you? That is an important question to pose. You should get the recipient of that funding to think deeply about that and to make sure that when they come up with their great idea that it will solve a real problem that the taxpayer needs solved rather than just a really cool problem to solve.

I am trying to encourage our researchers that when they do anything they think primarily about what is the real need and challenge in their community. They should not simply expect to be given a bunch of money to pursue some idea they have. You have raised a really important point about the way in which we frame government funding. What is it for and how will it relate back to what the constituents of government really want?

**Mr GRIMSHAW:** That is a very important issue. Partnerships are the key; no-one can operate in isolation. Partnerships in regional communities are critical. I think the Committee heard from the city council this morning. Partnerships are critical going forward; partnerships with universities, partnerships with TAFE, partnerships with the health system, and partnerships with city councils, business organisations and enterprises. That is the way you define where you want to go in partnerships. Coffs Harbour has a strategic plan that provides the basis for understanding where the city sees itself going. Of course, that plan has an emphasis on technology and innovation. That is a key element. What we are trying to do is to form part of that overall plan. That is the big picture, but then you get down to the ways to achieve that and the outcomes you can expect.

**Mr DAVID HARRIS:** From what I am hearing, the current model is about surviving not thriving. The centre requires anchor tenants to get a basic income, and then hopefully you can build stuff around that. How does your centre fit into that strategic plan? Is it tick the box, we have an innovation centre? Or is there real interaction across that regional plan? Is the centre simply sitting there or is it an integral part of what should be happening?

**Mr GRIMSHAW:** The board of the technology park consists of the general manager of the Coffs Harbor City Council, the vice-chancellor of Southern Cross University, the director of TAFE—however it is structured in the future—and me. Therefore, it is more or less bound to consider the council's aspirations. Every meeting includes discussion about the aspirations of the council and the region in terms of going forward with the initiatives we are taking. The governance structure reflects the sort of things we have been talking about in terms of achieving that mix and understanding the long-term goals in the development of this region, and particularly this community.

**Mr DAVID HARRIS:** Does the region have a start-up focus? I am from the Central Coast and our focus at the moment is food innovation. A memorandum of understanding has been signed by RDA, the council, and the university and the focus is on the food industry. It is all about food innovation. Does this area have a theme or a driving force that would attract start-ups that want to be part of that story?

**Mr ROTHACKER:** I prepared a presentation that I will show you at the innovation hub. We have four vertical markets that we want to focus on, and one is health. I am lucky that I have the chair of the Mid North Coast Local Health District.

**Mr GRIMSHAW:** I am conflicted.

**Mr ROTHACKER:** Another focus is aged care. We have a memorandum of understanding with aged care providers. We have also joined with the council and RDA to focus on agriculture. We are also focused on tourism and hospitality. With Southern Cross University on board, we have the marine science centre, which is a huge asset and we can utilise extensive expertise and knowledge based on that. Those four or five pillars are supported by technology. Technology should be a key driver of all innovation. However, it is not only innovation that we will promote. We want to address key issues through the Open Innovation Challenge.

Going back to the value-driven and the KPI-driven approaches, we want to deliver on the Mid North Coast. That is why we are asking the key players what are their issues and how can we help. That is where I got the four challenges. When we have a program of events and we attract entrepreneurs not only from the Mid North Coast but also from Queensland and Melbourne. We want to encourage people from those big cities to come up here, to enjoy the lifestyle and to explore the start-up idea. We encourage them to bring their families and to experience the lifestyle here compared to Melbourne. We want to attract entrepreneurs not only from Australia but also from across the world.

**Mr DAVID HARRIS:** Is that happening much? Have you had success in attracting those people into the area?

**Mr ROTHACKER:** I applied for a government grant, I think it was worth about \$100,000, but I did not get it, to do that as a marketing activity for 12 months. Right now I am making a submission, which is due on Friday, for the \$300,000 that was just called out by Jobs NSW, which is interesting and it would help us address

the whole region. Having the council on board is great, but we do want to go outside just the council area. We do have an expression of interest from Port Macquarie as well as Kempsey in the wider region because I believe the deal flow is a big issue and Coffs Harbour is not big enough to capture those start-ups just in Coffs Harbour.

**Mr DAVID HARRIS:** One of the big issues in this area is youth unemployment and engagement. I asked this of one of the earlier witnesses, is part of the strategy about getting through schools that aspirational education, building that entrepreneurial culture in order to turn out people at the other end who have the knowledge and the vision to go looking in different areas?

**Mr ROTHACKER:** Absolutely, spot on. Education is a key part and two of my passion points are health and education. My kids are just going through high school. One has just left. I was recently contacted by a school to ask if I can go into the school and show them basically pathways alternatives. We put on a workshop last year at the campus where we invited LinkedIn to fly up. They flew up people and showed how important it is to have a polished profile. We had a professional photographer. He photographed the kids. We had content writers from the university helping us to polish their profiles, and they had a perfect profile afterwards. We have really hands-on activities where we provide value to the schools and they seek the engagement. Through that we hope that we can attract them also, when we have the right courses, coming through TAFE and university.

**Professor SMITH:** I think the university has to absolutely step up in this regard. If I was a kid today and I was thinking about what is it that I am actually going to be employed to do when I leave school, it would be almost a hopeless case because there is so much flux around, the jobs that you are training for now are not going to be there in ten years' time. We need to be able to come up with a leadership position about these are the sorts of skills that we can help you equip yourself with to become employable over the next few decades. I think we do need to address that as a matter of priority. We need to be more embedded within the school system. Education is a lifelong process. Universities are just part of that process. I think traditionally we have only concentrated effectively on the 18- to 22-year-olds. Yet, the market opportunities for us outside of that are significant and growing, particularly with an ageing population.

The other point I wanted to follow up on this discussion is around the focusing of our activities and innovation around the natural affordances of the communities that we are in. We have heard them here today. There are some key areas where the whole Mid North Coast up to the border could be seen as a bit of a living laboratory of how you address these large and emerging issues. China, for example, has 160 million people aged 60 and older right now and they have no aged-care workforce at all. They are looking to build an aged-care workforce. In their thirteenth five-year plan the central government has said, "We need to deliver aged services into community and home." Sometimes those communities and homes are in regional parts of China. Why not test bed the way in which you deliver those services in a regional centre where you have well-developed networks and contacts, that could then become an export industry?

**Mr DAVID HARRIS:** It is interesting how the start-up culture is built as part of a grand plan. When there is that hive of people working on different projects and businesses but in the same subject area, they start bouncing off each other and start to get real innovation.

**Professor SMITH:** Exactly.

**Mr DAVID HARRIS:** Today the Committee met two people who have very different successful businesses, but could probably learn off each other in terms of how they get the business model right. A lot of the focus is on what your project is, rather than the business model. That seems to be where people have a lot of trouble. Your organisation would be one, along with BEC, and that sort of thing, that could really hive that business model side of the equation. It is alright having good ideas, but if you cannot get it to market it is not going to go anywhere.

**Professor SMITH:** It is just a good idea. Clayton Christensen from Harvard beautifully articulates what you have just said. He said that innovation is not just the technology or the service or the gizmo, it is the enabling technology but it has to be married together with business models, a well articulated value chain, and it all has to be embedded within a legislative framework that enables all of this to come together and be true innovation. I think there are real roles for government to work very closely with the digital sector, the business sector and universities to explore that whole package of innovation. People mostly think about innovation, and I know a number of start-ups get very excited about the technology that they have developed and their whole emotional energy goes into: I have developed this latest widget. It is really cool, but they fail to take into consideration that innovation is not just the widget, it is a lot of other things that come together. It has to be almost a whole-of-community approach to solving that problem. Again, I am harping on this fact that regions need to really identify what are the big challenges that they have got and how can they be test beds for how you solve those problems that then can be exported, not just nationally but globally.

**Mr GRIMSHAW:** That comes back to an earlier question about the way in which the incubation process proceeds. I think that Professor Smith is quite right, it is more than just developing the product or the idea, it is developing the whole business. That is where money can be very well spent in terms of allowing businesses to develop those sorts of skills. As Mr Rothacker said, he is only half-time. If he were full-time he would be able to provide those sorts of skills more readily, put the incubating company in touch with the appropriate agencies, work through and see that the total business model is implemented and successful. I think that is the role ultimately of the innovation centre, assisting those companies to develop and prosper.

**The CHAIR:** Mr Rothacker, in your submission you say that you believe it is vital to have a local investment fund. What would it look like? What would the governance structure look like? Where would the seed funding come from? What would it actually look like?

**Mr ROTHACKER:** I do not know. Right now, I do not know.

**The CHAIR:** Okay.

**Mr GRIMSHAW:** But we can deliver it.

**The CHAIR:** You just do not know how.

**Mr GRIMSHAW:** I do not know. I do not think that is insurmountable at all, how you manage an investment fund. It is just the question of how government perceives that and the sort of outcomes that it wants in terms of justification of the money spent. You cannot just hand it out, you have to have boundaries, if you like, as to the way in which the money is spent and particular priorities that the Government wants to see implemented. I think if you have an investment fund those boundaries have to be clearly established and it should operate within those boundaries.

**The CHAIR:** You are suggesting that the local investment fund be taxpayers' dollars?

**Mr GRIMSHAW:** I cannot see any alternative in this district. Having lived here for 20 years I just cannot see the private sector coming to the party in that regard.

**Mr ADAM CROUCH:** Mr Rothacker, you made a comment about attending a school recently. Can you confirm if it was a public or private school, and which one?

**Mr ROTHACKER:** A private one.

**Mr ADAM CROUCH:** And they approached you?

**Mr ROTHACKER:** Yes.

**Mr ADAM CROUCH:** You mentioned that you were not successful with a recent grant application. Was that a State or Federal Government grant that you were applying for?

**Mr ROTHACKER:** It was a State grant.

**Mr ADAM CROUCH:** Did you receive any feedback as to why you were not successful or any advice about what you could be doing to change the outcome?

**Mr ROTHACKER:** No.

**Professor SMITH:** That is an interesting point. I have applied for numerous State and Federal Government grants from different departments, the Department of Health for example. One of the biggest problems that we have is that the level of detail of feedback is often very poor.

**The CHAIR:** Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions that may be forthcoming?

**Professor SMITH:** Yes.

**The CHAIR:** That concludes our public hearing today. I place on record my thanks to all the witnesses who appeared today. In addition, I thank the Committee members, and particularly the staff and Hansard, for their assistance in the conduct of the hearing. I also thank Coffs Harbour City Council for their assistance with organising this regional hearing.

**(The Committee adjourned at 14.49)**