

REPORT ON PROCEEDINGS BEFORE

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

SUPPORT FOR START-UPS IN REGIONAL NSW

At Macquarie Room, Parliament House, Sydney on Wednesday, 30 May 2018

The Committee met at 9:32 am

PRESENT

Mr Michael Johnsen (Chair)

Mr Greg Aplin

Mr Clayton Barr

Mr Adam Crouch

Mr David Harris

The CHAIR: Good morning. Thank you for attending this second public hearing of the Committee on Investment, Industry and Regional Development. Today the Committee will be hearing further evidence in its inquiry into support for start-ups in regional New South Wales. Before the proceedings begin I remind those present to switch off their mobile phones as they can interfere with the Hansard recording equipment. My name is Michael Johnsen. I am the Chair of the Committee and the member for Upper Hunter. I am joined by my colleagues Mr Greg Aplin, Deputy Chair and member for Albury; Mr Clayton Barr, member for Cessnock; Mr Adam Crouch, member for Terrigal; and Mr David Harris, member for Wyong. Mr Jai Rowell, member for Wollondilly, and Ms Tamara Smith, member for Ballina, are the other members of the Committee who are unable to join us today.

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 the proceedings are available. I remind everyone that a transcript of evidence will be made and published by the Committee. I welcome Mr Nick Kaye from the Sydney School of Entrepreneurship. Thank you for appearing before the Committee today.

NICK KAYE, Chief Executive Officer, Sydney School of Entrepreneurship, affirmed and examined

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

Mr KAYE: No, Chair, I do not.

The CHAIR: Before we commence with questions, would you like to make an opening statement?

Mr KAYE: I would, if I may. Good morning, Chair and Committee members. Thank you for this opportunity. Sydney School of Entrepreneurship [SSE] is a globally unprecedented collaboration between 12 tertiary institutions: Australian Catholic University, Charles Sturt University [CSU], Macquarie University, Southern Cross University, TAFE NSW, The University of Sydney, The University of Newcastle [UON], University of New England [UNE], University of Technology Sydney, University of Wollongong, UNSW Sydney and Western Sydney University. Established with cornerstone investment by the New South Wales Government, independent and not-for-profit, we have the agility of a start-up, the unified front of government support and credentials of 12 academic members. We are a new school for new ways of working, our purpose is to drive next-generation Australian entrepreneurship, and our key principle is to make opportunity accessible.

Complementary to a New South Wales university degree or TAFE NSW program, we offer a range of academic and co-curricular activities to develop the entrepreneurial mindset and skills required for future jobs, globally competitive New South Wales businesses and high-growth companies. Our reach is the 200 member campuses across New South Wales. Since August 2017 and our launch of our Ultimo campus we have hosted more than 75 activities and welcomed more than 3,000 visitors including some 1,500 students. We are Sydney in name only; we are absolutely statewide in operation.

As some concrete examples of the regional impact of our nine education and training activities I note the following: As part of the NSW Innovation Strategy calling for State and local government to collaborate we took visiting entrepreneur Vicki Saunders to Newcastle last year to present as part of our global series on entrepreneurship and to mentor a group of students at Three76 Hub, including UON students and SSE alumni; We have live streamed events from Parliament of New South Wales to Coffs Harbour Innovation Centre, to CSU School of Engineering, to TAFE NSW in Albury, amongst others.

Our alumni are starting student societies such as the Venture Student Society at UNE in an effort to connect fellow student entrepreneurs across Armidale and Tamworth, supported by the SMART Region Incubator. We have held an entrepreneurial education and networking workshop at the new Enterprise Lab in Lismore. And just recently with the University of Wollongong in partnership with Liverpool City Council, Western Sydney University and TAFE NSW and indeed two founders from the iAccelerate start-ups we have mentored a group of aspiring entrepreneurs on customer mapping and rapid prototyping.

We are building a community. It is a marathon, not a sprint. We are for all backgrounds, locations and disciplines; a school developing mindset and attitude as well as skills; a place to meet like-minded student entrepreneurs from all sectors—those who have already founded start-ups and those with entrepreneurial spirit in need of some fine-tuning. Members outside of Sydney are an essential part of the school: Charles Sturt, Southern Cross, Newcastle, New England and Wollongong universities and of course the network of regional TAFE NSW campuses. To date more than 30 per cent of students undertaking our core unit join us from regional New South Wales. Our teaching team, the peer-to-peer network and industry connections empower student entrepreneurs to understand, access and participate within their relevant local and statewide as well as sectorial ecosystems. We provide direct contact with major start-ups including Canva and Facebook, amongst others, and of course the Sydney Startup Hub.

From across the State and from Australia to the world, participating in SSE extends beyond New South Wales boundaries. We know a global mindset, immersion and connection are key and that is why to date we have also supported students and recent alumni to international boot camps in the United States of America, China and Sweden. If I can leave New South Wales very briefly to touch on the model that inspired the creation of SSE, the Stockholm School of Entrepreneurship was established in 1998. Over nearly two decades it has graduated more than 15,000 students, 35 per cent of whom have gone on to become entrepreneurs, creating on average 1.7 companies each. Amongst the thousands of companies that have been built, there exist several with valuations in excess of \$1 billion, including most recently, iZettle, which is a point of sale system, or for those familiar, the "Square of Europe", which was last week acquired by PayPal for \$2.2 billion. Returning our focus to the Sydney School of Entrepreneurship, its impact over time, and ultimately our success, will be the success of our students in the communities and the jobs and businesses that they help to create. Thank you. I will be very pleased to answer any questions.

The CHAIR: You made comment on the fact that it is Sydney, by name only. Why not call it the New South Wales School of Entrepreneurship?

Mr KAYE: The answer to that is quite simply a matter of global brand recognition, the strength of the brand of Sydney itself. It was a decision made prior to my engagement, but one I wholeheartedly understand and support. We work very hard to say Sydney in name only, statewide in operation, and have done so from day one. We truly have the statewide operation in our DNA, not only moving students to the Ultimo campus but across the State. Globally, the strength of the Sydney brand name is such that that resulted in the branding of the school that we see today.

The CHAIR: I cannot say I agree, but I understand the logic.

Mr GREG APLIN: Thank you, Mr Kaye, for a comprehensive opening statement. I was interested to hear that you said that 30 per cent of students are from regional New South Wales. I would like to drill down deeper into that statement about the interaction you have with those regional students and the type of support or mentorship for start-ups for those people who are a little bit too far away to regularly visit Sydney.

Mr KAYE: This is an element of our interaction with our broader community that will continue to evolve over time. While there are tested elements, we, for example, are very clear on our focus on mobility scholarships when it comes to specific types of activities, whether it is physically moving students from across the State into Ultimo, as we have done now for two offerings of core academic units, two intensive modules, or whether it is moving students to different regional hubs over time. That is one way to facilitate that interaction. We have also ensured that the physical campus that we have created in Ultimo—again very strategically positioned near central station both for access across the State and globally—is outfitted with the type of technology that enables us to not only broadcast the types of activities and have interaction from multiple venues but also receive that broadcasting from our satellite environment so that over time the teaching will not be done purely in the Ultimo environment; it will be done across the State and at times broadcast to subsets of students in Ultimo.

We are very aware of that balance across the different activity types. The geography is such that in some instances we will see larger contingents of local students in events and activities. Our challenge is to continue to craft the types of activities that we do so that we attract and then can facilitate the movement of students. We believe there has to be a physical component to the building of our community in addition to the virtual component. That is part of our model as we are building it out today and working with our future academic curriculum. We are looking at how do we fine-tune it because there is a cost involved in physical movement, but it is something that has to be built into the business model over time.

Mr GREG APLIN: When you are identifying possible participants, what sort of levels of education, experience, skill set do you require before you effectively take somebody on to mentor and nurture?

Mr KAYE: We are really looking for the rising stars with the grit to want to do something in this space. We are looking for, one, initial energy; and, two, the commitment to address the types of skills and attributes that we want to but also to make the geography work. We are looking for people who are committed, whatever their intentions may be, or for whatever types of activity we create on this joint larger stage to physically commit as well as virtually commit to asynchronous activities. At the moment we will take students from across the different levels of tertiary education. It is an inclusive environment and we look to those tertiary students initially, but we are working with pre-doctoral, doctoral, and postdoctoral students in other types of forums to create that community across the State. It will be community of practice but also a network for sharing training skills, for teaching the younger generation and developing their global networks.

Mr GREG APLIN: I am sure my colleagues will want to take up that younger generation point. It interests us at what point one starts to instil that.

Mr ADAM CROUCH: I will follow-up on that question. You mentioned that the Stockholm School of Entrepreneurship was a model for the Sydney School of Entrepreneurship. At what level of education do they engage with their students? Is it earlier than tertiary?

Mr KAYE: As you heard, the Sydney School of Entrepreneurship is a collaboration of 12 tertiary institutions. In a similar fashion, Stockholm is a collaboration of five tertiary institutions at that same level. It is tertiary level. In Stockholm all members are universities so it is from that first year of tertiary study and onwards. In their case, it includes an emphasis on masters and PhD students.

Mr ADAM CROUCH: Do you see an opportunity for the Sydney School of Entrepreneurship to bridge the gap between primary and secondary? Some of the evidence we heard yesterday is that there is not a strong university base in some of the regions. Is getting students earlier to potentially tap into their entrepreneurship

something the school could expand into—perhaps working with the Department of Education—to roll out a similar model with primary or secondary schools?

Mr KAYE: As you are well aware, the global entrepreneurship monitor shows this as a really important phase of development. As it stands today, the funding and the membership base of the Sydney School of Entrepreneurship, it is not for profit, the members being those 12 tertiary institutions. That would be a strategic question for the owners. I think potentially with support from the Department of Education that is something that might be addressed in time, but it is currently outside our mandate.

Mr ADAM CROUCH: Does the SSE work with the business community in providing mentorship and networking opportunities in those regional areas where the universities are located?

Mr KAYE: Thank you for that question. That allows me to highlight that that is absolutely critical to this model. While this model of collaboration between the 12 tertiary institutions is an important part it is not solely about connecting students across TAFE NSW and the universities. It is equally importantly about connecting those students with the start-up community and with industry. I will give you a concrete example. It happens to be Sydney-based because that is where the first intensive of our academic unit was. During that unit, the students interact with more than 50 partners in what we call MESH, which is our entrepreneurial Massive Ecosystem Scavenger Hunt. We get them out there in the community, connecting with those individuals. We aim to do a lot of further work over time when it comes to the coaching and mentoring side. It is key, as we see it.

Mr CLAYTON BARR: Thank you so much for your time and all your energy and effort so far. I am interested to know why we need a school of entrepreneurship in 2018 when we did not have one in 1995? What has changed? Why do we need that now?

Mr KAYE: Whether we needed one in 1995 I am not sure. What has changed is that there is a perfect storm of alignment. When Stockholm started the initiative, it was a late player in the tertiary entrepreneurship space within the universities, and decided to do things a little bit differently. We have seen entrepreneurship in our tertiary institutions over time in Australia, as well. But what has happened is a fuller acknowledgment of the opportunities that exist as a result of connecting different disciplines, different regions, institutions and industry in a more holistic fashion. We do not replace entrepreneurship, education and training at those 12 institutions. We provide a wonderful, larger common stage for them. There are certain things that we can do that no one of them could do alone, or that they, alone could offer their students.

Why has that happened now? I think there was an interest and appetite across the members, who need to come together to collaborate to make this a reality, and from government, and there was support from the industry sector for doing something like this. I highlight again that this is globally unprecedented. It is something that New South Wales should be—and, I believe, is—incredibly proud of. To have 12 tertiary institutions and government collaborating with industry in this fashion is cutting edge.

Mr CLAYTON BARR: You mentioned a little bit earlier having a physical presence, not just a virtual presence. We heard a little bit about that yesterday when we were in Coffs Harbour. Given that the physical footprint of the school is here in Sydney, how do you provide anything other than a virtual presence across regional New South Wales?

Mr KAYE: We are lucky enough to have some 200 member campuses to work with. So if we look at the physical side of it, because we are membership based a key function of what we do is in leveraging the resources and the opportunities across the members. If we take that back to the direct question around physical locations, we are lucky enough to have the support so when we want to offer a workshop or a hackathon or a unit of study—whether it be in Newcastle, Cooma or Wagga Wagga—we have members and partners who are able to help from within that membership group.

The physical sense of it is well within reach. It is something that we have already been able to utilise to date. It has been a delight visiting the State and understanding the physical spaces right across the State, and to see just how world-class and exciting so many are. I think it would do a lot of people in Sydney a great deal of good to see more of it. We are privileged to leverage—and we enjoy it—through the members.

Mr CLAYTON BARR: I know that the New South Wales Government put in \$25 million to the start-up. How are you funded other than that?

Mr KAYE: What is the funding model? Over time there will be several strings to that bow. We think it is very important that there is support in kind and financial support over time from those 12 member institutions, as you may imagine. We think, equally, that we need to demonstrate the impact and traction to ensure that we have philanthropic support and corporate support. As you can imagine, there are opportunities there for some

additional bespoke work for the members around their own entrepreneurship, training and education programs. So it is a combination of those revenue streams over time.

Mr CLAYTON BARR: I know that your organisation is only in its infancy, but other than government funding how is the transition to other funding sources going for you? I do not want specifics.

Mr KAYE: At the moment we have a solid strategy in place. We are on track, as per budget, with the initial elements. We have a lot of work to do. This is a highly entrepreneurial endeavour in that sense, but we are also well aware of both the realistic timeframes to create these communities and the marathon, not the sprint. We have been seeded in such a way that we have been given an ability to show the traction and show the growth in additional financing—I am speaking very frankly—in a realistic fashion. That does not happen overnight without results. That is why we have very clear indicators along the path of how that will work.

Mr CLAYTON BARR: Okay. Along that line of thinking, do you see the model as being that the Government puts in the money to kick the organisation off, but then gradually the Government will be able to withdraw from that funding space because the other moneys will take over?

Mr KAYE: At this point the funding has been in a lump sum, to cornerstone support. That is the Government component. So that is seen as underpinning the initiative. That gives—very importantly, in my experience—in a global context in this space the sort of timeline to both demonstrate impact, which is critical when talking to other funders, and also to build the relationships and secure the funding in realistic time horizons.

Mr DAVID HARRIS: Thank you for coming in this morning. Yours sounds like a great initiative. I would like to get your thoughts on a couple of issues that we talked to people about yesterday. We met a young fellow, Stefan Miller, who is the managing director of a company called ShotTrack. He told us that he had no formal training. He was self-taught. How would someone like him fit into your model?

Mr KAYE: It would depend a little bit upon which stage of life he is at. If we look at our customers in the collaboration as it is today, our student entrepreneurs come from within those member environments. Unlike some other providers in this sort of space we address the needs of students within the 11 universities and TAFE NSW. That said, while they are our primary focus as students—if we did not have an affiliation with one of those organisations they would not have walked in through the student door—critically our interaction with the start-up community is pivotal to everything we do.

So I will just take you back to that first unit. Fifty points of interaction with industry—and we use that term to include, very much, the start-ups—is as big a number as it sounds. It is huge, but when you play it out across panels, coaching and the scavenger hunt, it means that we would hope to see people like him in that context, but then we gather back that network. So where we add value to those who are in the community but not current students is in that interaction—whether it is meeting other entrepreneurs, working with thought leaders who are educating, training or speaking for us, or connecting to students as future collaborators, employers or customers—that would be the opportunity. So I believe that we are part of a rising tide for the State. Focus, absolutely, on the next generation of entrepreneurial thinkers as tertiary students, but the ripple effect starts at that point through the community. So we are a pipe-line of talent for the start-up hub, for example.

Mr DAVID HARRIS: Are those start-up groups able to affiliate in any way? How do they access your programs other than seeing it online and saying, "That would be good for our area."

Mr KAYE: What we do not have is a community manager, as many entities in our space have, because we would argue that everyone in our environment—on our teaching team, in the administration staff—are at the coalface in that sense. We encourage anyone we meet—we have been doing so in the hall outside this morning—to connect. It does not matter at which point the initial connection is made into the organisation. We have a very strong database, as you can imagine. We then find the point of the greatest value-add. Whether it is a fifth time or multibillion-dollar entrepreneur who is coming in, somebody at the start of a journey or somebody looking to transition from the corporate world, we look at where they could enjoy value and add value to the network. Of course, we hope that over time we map out some critical paths for different profiles. We have commenced doing that but it is something we will continue to refine.

Mr DAVID HARRIS: Recently, I think it was in March, I was in Bega and a group down there were holding an agtech get-together at Bega Cheese. It was the first one they had done. One of the biggest issues and why this seems to be arising so much is, obviously, connectivity, better internet access, et cetera, and these groups are just starting to form themselves. Do you see any role with yourselves in facilitating or incubating groups across the State where they do not exist currently, any opportunities for that?

Mr KAYE: Absolutely is the answer. I note that the next witness is, in fact, from Bega, and we have had a discussion this morning about ways to collaborate, and I have met other terrific individuals during a visit to

Cooma in that particular neighbourhood. I mentioned briefly in my opening remarks a student who has started a similar network. That is one of the deliverables we look for from a student looking at that grassroots level—how can they both leverage the existing network and those we have helped connect them to and the skills we have helped develop, sometimes with seed input in a different fashion from ourselves?

For us, given we operate right across the State and that rising tide supports our members and our students, we are always on the lookout for how can we support—is it introduction of speakers? I will give a concrete example. When we have international luminaries, whether academic or entrepreneurial, coming into town, we ensure a model of three; often they will speak in Ultimo and we will ensure two regional points of contact. So, again, we would look at partners for where can we have impact? So there are many fashions in which we can and would like to work with those groups. It is really looking for those who would like to step forward and take advantage of the opportunity.

Mr DAVID HARRIS: It looks a good issue. Those core units seem very good. I think from our point of view—I think we are all regional representatives here today—making sure that there are those links is very important. Thank you that it is right on your radar/horizon.

Mr KAYE: If I may go one step further and say it has been a joy coming into this opportunity as chief executive officer [CEO] and talking to, amongst others, some of the vice-chancellors from Sydney early on and understanding, without prompting, that there was an appreciation that this interaction was not about bringing the regions to Sydney; this was an interaction for their students as they saw it in a very beneficial way of connecting in a whole different fashion with the regions. It is something we truly believe in, it is part of our DNA, and, as I say to my team, it is a joy to be able to live those values and those KPIs in that fashion. We are very lucky.

Mr ADAM CROUCH: In the short time that the SSE has been established, how have the start-ups that you have worked through as a team generally been funded so far?

Mr KAYE: That is a good question. For details I would have to take it on notice, but if I might speak anecdotally. We see very different stages. We have supported some slightly more developed groups that, for instance, amongst others, have sat in a Cicada Innovation at the Australian Technology Park. You may be familiar with those. They are a little bit further along in terms of angel financing. Others are at the friends', families' and fools' money stage still—pretty early. A lot of what we see is very early; so by the nature of the fact that it is those tertiary students, they are really still at a point where it is very flexible funding. While of course the financing community and infrastructure is critical for their future development, it is not something we are seeing as closely on a daily basis ourselves across the students at the moment.

Mr ADAM CROUCH: Could you come back to the Committee with some details about a breakdown of how they are financing, the ones you have got so far? That would be really helpful to us. We heard evidence yesterday. What is your opinion of the Government support and the funding models that have been provided, such as the Multicultural Partnerships Program grants? Are there ways these could be done better?

Mr KAYE: I think those types of grants really are outside my direct expertise in terms of our focus is the education and training side. We see them as very important as they facilitate support in different senses, but in that case I would have to suggest that it is outside my expertise to comment directly on that.

Mr ADAM CROUCH: We have seen multi organisations involved in encouraging entrepreneurship—local government, Regional Development Australia authorities [RDAs], et cetera. One thing I saw yesterday is that everybody is trying to work in the sphere to some degree and not necessarily in a coordinated manner. Like the case that Mr Harris put forward before of the young man who does not have a tertiary education but has so much opportunity in front of him. We could potentially be losing those people because they do not formally fit into one of those criteria. Looking at work with other government agencies, like RDAs or local government, could the SSE to take a leadership role in that sphere as well as getting universities involved?

Mr KAYE: In the context of our activities, absolutely. One of the concrete examples I mentioned in the introduction was some work we have been doing both with the State Government and the City of Sydney in terms of the visiting entrepreneur program; I think leveraging those different parallel but not competing types of opportunities and bringing them in and extending them. So in that case it was a very obvious opportunity for us to extend, using our regional network, a program that already had delivered or would deliver to a certain point. I think that the short answer is yes there are opportunities to do so strategically.

The CHAIR: From your perspective, what would initiate a regional visit course to be held? Would it be all those things? Do you just say, "Okay, let's just go with you"?

Mr KAYE: That is a terrific question. It could come from a host of drivers. We talk often of the coalition of the willing. There are so many opportunities potentially in this space and they can be curated in different ways.

Of course, we need to be aware of our membership, we need to be aware of that diversity and of addressing their needs, and while there will be some lower-hanging fruit at times, there will be other instances where we need to be a little more pushy in terms of what we can do. But the short answer is there is a large coalition of the willing out there; so it is often trying to work out how do we leverage and have that impact? If we see either grassroots interest from the student side in particular or a faculty development need or a strategic opportunity around a forum or a speaker or an instance where we are asked to provide the thought leadership for one of those, they are all instances that would make it a very logical fit.

I need to be clear that this is an unprecedented and amazing collaboration. Of course, my team is very, very small compared to these incredible institutions, universities and TAFE out there, so we need to be really smart on how we do leverage those opportunities. But they come through all those avenues. Then, of course, there is an element of looking at what have we done over a period of time and where are we missing opportunities to connect the community? So we then focus very specifically. But we start with the opportunities that are a win-win, the opportunities that our members want us to contribute to and that we can support in a meaningful way.

The CHAIR: On that basis, and I will go back to something that Mr Crouch said before, you do not necessarily have university campuses everywhere but there are a lot of TAFE facilities, for example. Is TAFE more proactive in some geographic areas than others in seeking your assistance or involvement?

Mr KAYE: Given the time that we have been in operation I am not sure I am well positioned to give that a really comprehensive answer. As you know, there are many, many TAFE campuses; so it really does come down to where that initial traction is. What I can say is that we are both working locally with interested partners and individuals in campuses, but also there is strategic work being done across this space very much at present at TAFE and we are working actively on that front as well to understand, again holistically, how we address it. TAFE in that sense is probably the most challenging, given the most campuses. We really need to refine exactly how we do that over time.

The CHAIR: I know that the new connected learning centres being built by TAFE are creating an environment that is highly conducive to fitting in with what the SSE is doing. I would hope that there will be significant opportunities to work together in that space, especially through the new connected learning centres. You mentioned that this is a cutting-edge concept and application. How does New South Wales compare to other States in the work that is being done in this space?

Mr KAYE: That is a lovely question. The answer is: extremely well. My personal background is that I have come to New South Wales after 20 years based out of Stockholm globally and prior to that I was born and bred in Victoria. There has been a large shift across Australia over the past decade particularly. New South Wales is by far the leading State on the basis of whichever statistics we look at in our space. So if we look at start-ups and founders, the Start-Up Muster is the common reference point that many of us use, and that is almost 100 per cent more than the number of start-ups that what we see in Victoria. If we look at the academic constellations there is some good work being done around Australia. There is nothing on this level at all across the country—not these types of collaborations—and I think this will not only be terrific for New South Wales and cement that leadership position hopefully over the medium- and long-term, and with it a rising tide for all the individual institutions, but it will be good for Australia holistically over time too, as a thought leader, as a base that is recognised globally to connect, through New South Wales and the country into this space. Currently it is very dominant, given the Australian context around this education, training and start-up space. It is a fast-moving area so we need to keep moving.

The CHAIR: Earlier I asked why it is not New South Wales as opposed to Sydney and you spoke about a global context. What geographical market are you working for?

Mr KAYE: If we look at students, it is students within the State—that type of customer. If we look at the thought leadership over time and positioning, it is a global footprint. Very much a lot of the thinking around this type of space has been led out of North America and Europe traditionally. That is an arena in which we want to be strongly positioned, which feeds into talent in our education and training activities, and thought leadership that we can connect our greater community into. When it comes to our entrepreneurs, it is global mindset—but the doorstep to Asia is the absolute key there, of course. That is Australia's unique advantage there. We are very blessed with the fact that we have a State that is diverse and it offers different types of opportunities to different start-ups. So there are many very good reasons why a start-up would chose to position itself in central Sydney, in Newcastle, in Bathurst depending on what is required in a global sense logistically et cetera. I think that is a wonderful selling point. Australia has a strong brand globally and having that diversity again across the State is an opportunity to help match that in both directions.

The CHAIR: I think you have just given all the reasons why it should be called New South Wales instead of Sydney.

Mr GREG APLIN: I would like to extend your answers to a couple of earlier questions from the Chair. How can we better identify entrepreneurship as a career choice? How can government play a role to assist in that and with start-ups?

Mr KAYE: The stories that we are telling as a community, as a State and as a nation are critical around that when it comes to helping the grandparents and parents support networks of those younger entrepreneurs understand that opportunity; likewise for siblings of different ages and so forth. I think an appreciation from a broader audience and our ability to lift up those role models as a valid career path. We see staggering numbers now when we look at surveys of tertiary students and their interests in this space. That shows that we have seen a bit of a change over more recent years but there is still a lot of work to do—again, I think it really is modelling and showing it as a valid option. We believe depending on the report you refer to that students will see three careers in their lifetime, 16 discrete jobs et cetera, that an entrepreneurial mindset is critical not only for those starting high growth companies, which of course is our reason for existing, but right across the spectrum moving forward for all our graduates. We hope to imbue that from all levels but, again, it is back to role models and it is back to our politicians speaking about it to the media covering this as a valid and exciting prospect.

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 those questions will form part of your evidence and be made public. Would you be happy to provide a written reply to any questions that may be sent to you?

Mr KAYE: I would indeed.

(The witness withdrew)

LIAM O'DUIBHIR, Chief Coordinator, IntoIT Sapphire Coast, and Director of 2pi Software, sworn and examined

The CHAIR: Thank you for appearing before the Committee today. Before we proceed do you have any questions concerning the procedural information that was sent to you in relation to witnesses and the hearing process?

Mr O'DUIBHIR: None at this stage.

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

Mr O'DUIBHIR: I had not thought about this but I enjoyed the earlier discussion with Mr Kaye, particularly in regard to the cultural aspects and getting parents to accept entrepreneurship as a career choice. I thought that was a very good point to touch on. I am glad it was raised.

Mr GREG APLIN: Can you give the Committee an overview of 2pi Software and its growth to date?

Mr O'DUIBHIR: I moved, perhaps a little bit rashly, to the Bega valley 10 years ago. I was in Sydney having a good time and on very good money but for family reasons, for lifestyle reasons, for new pastures reasons I opted to move to the Bega Valley not thinking for the moment that I would have a career to easily slip into. As the Committee may be aware there are virtually no software engineering jobs in the Bega Valley district. I have been a software engineer all my life so I had a conundrum—a problem to solve.

I could have given up my career and perhaps adapted to something locally, but I was a bit stubborn in that regard. I thought, "No. Let's shake the tree a bit and see what would happen." I formed a group called IntoIT Sapphire Coast to see if I could network other technologists in the region. It was a very slow process, but eventually technologists started emerging from the fog. We would have coffee and meet-ups. About eight years ago I ran a cloud computing forum at the Bega Cheese Heritage Centre, which Mr Harris might remember from his recent visit.

While there, another gentleman walked into the room, who was quite surprised to have a cloud computing forum running in Bega. He identified himself as a software engineer. We discussed common interests and we decided to form a company, 2pi Software. It was a difficult proposition to execute, but through sheer stubbornness and determination we went from two people to now being probably around eight full-time employees. We provide software engineering services to entities such as the Bega Valley Shire Council, De Bortoli wines, Bega Cheese. I think we are on a growth trajectory. I am relatively optimistic, provided that market conditions do not change substantially in the immediate future.

Mr GREG APLIN: Thank you very much. That is great, and congratulations. That takes me to the next question, which is: what is the definition of start-ups? Obviously they differ but I am interested to hear from your growth trajectory: when does a start-up cease to be defined as such and become an established business? Does it require the same level of support, mentorship and involvement; or do you then become a mentor in your own right?

Mr O'DUIBHIR: That is really interesting. The term start-up obviously is bandied about quite widely. I guess my personal view of a start-up is a business with lofty ambitions, aspirational ambitions, to scale: I think in the modern era to scale as rapidly as possible. I think the start-ups or certainly the ones that have that air of romanticism about them, so to speak, would be, I guess, best identified by some of those successful start-ups in Silicon Valley—the massive unicorns that grab the headlines. Not all the headlines are good, obviously, in some cases; but, certainly, the trajectories that they have followed for aspirational people, they are attractive. I would say if you stripped it all back the majority of start-up minded people would have that type of scale idea in their heads.

Mr ADAM CROUCH: Congratulations, Liam.

Mr O'DUIBHIR: Thank you.

Mr ADAM CROUCH: You mentioned in your opening statement that it proved very difficult in the beginning to start up your company. What were those challenges?

Mr O'DUIBHIR: In a regional context, information technology and IT services are viewed very much as you would view plumbing. You come in, you do the job, and you go away quite quickly, whereas software engineering is probably a lot more thought intensive. Building software is a lengthy, time-consuming exhaustive

process. To get customers in a local region to appreciate the true value of software engineering was, as I said, a long and slow process. It took three years perhaps in some cases. To acquire a customer who would understand the value proposition that we offered would be a three to four year process.

Mr ADAM CROUCH: What was your experience through that process accessing funds from the New South Wales Government for funding support, if any?

Mr O'DUIBHIR: I had, in a previous start-up iteration, received some government money. My overall impression was that I did not really want to go down that pathway again myself. So as an individual, I was not personally attracted to the grant funded pathway at all. To be truthful, I did not explore it greatly. There is a great lady with the Regional Development community down our way, Megan Cleary, who periodically would talk about grant offerings that were coming forward. I would always facilitate for the community to receive that information, but it was not something that I was personally attracted to.

Mr ADAM CROUCH: Earlier you said that you had done grant applications and applied for grant funding. Was the complexity of it one of the reasons you did not pursue that particular option?

Mr O'DUIBHIR: Yes.

Mr ADAM CROUCH: Effectively, it is the red tape of going through the process?

Mr O'DUIBHIR: Yes.

Mr ADAM CROUCH: You also mentioned the Office of Regional Development Australia [RDA].

Mr O'DUIBHIR: Yes.

Mr ADAM CROUCH: Did you find that they play an extensive role when it comes to start-ups about accessing grant funding in the Bega region?

Mr O'DUIBHIR: They have very much to do and they are terrific, particularly people like Megan. They have that extra amount of flexibility. Once you build a relationship with them and they understand the type of individual that you are, they will perhaps keep you in mind for a particular grant or funding opportunity that is perhaps less paperwork intensive, and you might fit far more readily. They have been terrific in that respect.

Mr ADAM CROUCH: You probably heard me ask the same question of Nick Kaye: What sort of interaction do you have down at a regional level with primary schools and high schools about encouraging entrepreneurship? Do you go out as a mentor, effectively, and say, "This is what I have done. This is how I have got to where I am."? Is there any interaction with local schools down in the Bega Valley?

Mr O'DUIBHIR: I have to say that it is an area in which I have failed abysmally. I have been knocking on school doors for about eight years and really have had almost zero traction. I speak to other groups who have similar messages around things that they are passionate about, and I think they have generally had a similar outcome. I do have good relationships with the head teachers there. The conclusion drawn is that unless it can be done during school hours and paid for, it is not really going to happen at schools.

Mr ADAM CROUCH: How about further education services, such as TAFE? Do you have different outcomes there?

Mr O'DUIBHIR: I have had direct experience with TAFE. I actually taught at the TAFE for a couple of years. In a spirit of frankness, honesty and openness, I think culturally TAFE is in a particular place. I do not know that it is necessarily hearing the noises emanating from the start-up world as loudly, perhaps, as they want to or perhaps should. That is just a view that is based on a small set of information that I have and that I am privy to. Other people may have a different view.

Mr ADAM CROUCH: You are down in the Bega Valley. We were in Coffs Harbour yesterday. The Committee comprises all regional members. Do you think being in a region presents barriers to entrepreneurship and entrepreneurs being encouraged, or do you find there are benefits in being in a region rather than being in Sydney?

Mr O'DUIBHIR: I think there are two sides to the coin. I think that a certain amount of cultural transformation has to happen so that entrepreneurship as a career will flourish, which is that point that Nick Kaye touched on earlier and that I mentioned in my opening statement. If that cultural transformation does not happen, then entrepreneurship will always be at the far end of the spectrum, basically. Young kids will not be encouraged. They will be encouraged into safer career options. Flipping that around, having lived in the Bega Valley for 10 years, I think all your individual performance metrics will be at their best because of the lifestyle benefits of living in a regional area. I personally feel that, judging myself perhaps not too harshly, I have had a good performance over 10 years. I do not think I would have put that performance out had I stayed in Sydney.

The CHAIR: Earlier you mentioned that you decided, for a number of reasons, to make a change. One of those reasons was to make a lifestyle change, moving out of Sydney down to the Bega Valley. This was not necessarily where you were intending to head when you made those decisions and actually moved. As a result, and taking into account what has happened since, do you think that there are any restrictions or negative aspects of doing what you have been doing in a regional area? Or do you think it is equally as opportunistic in regional areas as it is in Sydney, for example?

Mr O'DUIBHIR: If I understand you correctly, I think that particularly now the opportunities are opening up very, very quickly. I think in my statement prior to the inquiry I probably sounded a little bit positive and optimistic. I felt that some of the initiatives that the Government is sanctioning at the moment are actually quite good and interesting. I was at the Sydney Startup Hub yesterday and I was at the Regional Landing Pad, and these things are very attractive to me. Those things did not exist nine or 10 years ago when I was starting out, so it is a vastly changed landscape. If I had known better back then, I would have been less optimistic. But now, certainly, I am optimistic about the possibilities for young people becoming entrepreneurs and exploring that vision with some rigour. I am a lot more optimistic.

The CHAIR: Further to the question that Mr Crouch asked about schools and TAFE, what made you get involved and knock on the school doors in the first place?

Mr O'DUIBHIR: I have three kids. Patting myself on the back a little bit perhaps, I always saw the long-term perspective. I never said I need an outcome in five years, I always had a 15- to 20-year time frame in mind, which meant that I could ride through the tough times. I knew that the schools play a really important role in this. So, opportunistically rather than strategically I would pop in there and message them, or speak to the new information technology teacher and say, "Well, we are doing this, do you want us to come in and spruik IT as a career?" As I said, I have not been particularly successful, but I do not know anyone that has been that successful. I will continue to knock on the doors. I have good relationships with the head teachers. I am speaking at a school event on Thursday night. I will continue to push the message in the hope that if enough of us do it over long enough potentially schools will embrace this. If the government did have a method to encourage or foster or coerce the schools into embracing entrepreneurship more wholeheartedly then perhaps they could accelerate the process.

The CHAIR: I have asked this of other witnesses in the last day or so: do you think entrepreneurs are made or born?

Mr O'DUIBHIR: That is a really good question. I probably suspect they are born, but they need to be messaged and prompted to explore it, if that makes sense. If your DNA is entrepreneurial but you grow up in a risk-averse environment you may never be in a situation where that capability or that drive gets to be exhibited.

The CHAIR: You seem to me to have an entrepreneurial nature, hence you knocked on doors in the first instance.

Mr O'DUIBHIR: Yes.

The CHAIR: People who are not entrepreneurial do not do that.

Mr O'DUIBHIR: Correct.

The CHAIR: Hence, the reason I asked you that question. It seems to be innate in you.

Mr O'DUIBHIR: I think so. I am not trying to talk myself up in any way, shape or form, but I think entrepreneurs identify entrepreneurship in other people very quickly. There are some aspects that I think are common to all entrepreneurs.

The CHAIR: Do you think by its very nature the education system itself is methodical and bureaucratic and therefore poles apart from entrepreneurship?

Mr O'DUIBHIR: I think, unfortunately, it is, but how else do you educate large numbers of people? You have to have a systemised delivery mechanism. I have a lot of empathy for the teachers. You cannot just teach the brightest kids, you have to teach the whole spectrum of kids. How can the education system be any other way? I think there are pockets of innovation and new ideas around education and some schools are successful in giving the kids more than the more industrialised delivery mechanisms, but I cannot conceive of how you would deliver education to six million students in New South Wales. How else you would do it? I do not know what the answer to that is.

Mr CLAYTON BARR: If I can start with the school aspect. Schoolteachers are pretty heavily loaded up at the moment and asking them to take on something else is like: where in the day am I possibly going to do that, as exciting as it sounds?

Mr O'DUIBHIR: Yes.

Mr CLAYTON BARR: Keep at it and eventually you will get there. I was excited by your submission. Essentially you are wearing two hats. Please correct me if I am wrong. You have your own business, which is 2pi Software, but you have the broader community vision and entity which is IntoIT Sapphire Coast. Am I right in thinking that?

Mr O'DUIBHIR: Yes, correct.

Mr CLAYTON BARR: The broader regional initiative is the one that has done the exciting stuff you have listed here, such as the Regional Innovation Week and the Sea Change Start Up Camp, and things like that. They are the ones that have hosted the Amazon workshops, is that right?

Mr O'DUIBHIR: Correct.

Mr CLAYTON BARR: Geographically across that region that you work in how/who do you find supporters and assisters and aiders in your vision? Is it local government, is it business or just people interested in IT as a hobby or work, who is helping you along here? Because you need a team of people to do IntoIT Sapphire Coast.

Mr O'DUIBHIR: We have built up a community of people who are really passionate about technology in the first instance and as a secondary element entrepreneurship. We have been so consistent and never dropped our levels that we have been able to keep people engaged and motivated with it. It is a very small number of people who do all the heavy lifting. You spoke about having two hats, a commercial hat as well as a community hat. I put my hand up and I will be as honest as I possibly can, by being seen as active in the community it is always good for your business. Anyone who has run a business in a regional context knows this very well. There is no damage done to the business by being seen to be active in the community.

But as a parent with three kids and looking at the jobs landscape in the Bega Valley, which by my reckoning is not a particularly attractive landscape, it feels really good to be perhaps offering this additional sector. And, if we put enough energy into it and we get some assistance from people like yourselves potentially rather than having options of leaving or taking up a job in agriculture or tourism you could actually start your own tech start-up and you could employ 100 people in five years. I think that is a lovely option to put on the table for your kids.

Mr CLAYTON BARR: I love the ambition, a thousand tech jobs by 2030 is brilliant.

Mr O'DUIBHIR: I think so.

Mr CLAYTON BARR: As regional members we all have concerns about our young people leaving the communities to go to the metropolises. Good on you. The second part to the question was, who are these people? Are they from local councils?

Mr O'DUIBHIR: No.

Mr CLAYTON BARR: Are they from the larger businesses in your local areas?

Mr O'DUIBHIR: No.

Mr CLAYTON BARR: Are they people who have businesses in an IT sphere?

Mr O'DUIBHIR: Most likely.

Mr CLAYTON BARR: Are some of them just people who have IT as a hobby outside of their normal work?

Mr O'DUIBHIR: Very much so. We press that button very much. I think also they will be parents because this other calling of provisioning better job opportunities for your children, once you start pressing that button it never goes away and you will work harder and you will work for free to get an exciting event up that may facilitate progress along offering an alternative career path option.

Mr CLAYTON BARR: There are a number of events you have been running for three, four, five, six years. You must feel like a proud parent around some of those. The first time you ran them they must only have had five or six or 15 people turn up.

Mr O'DUIBHIR: Yes.

Mr CLAYTON BARR: And now there might be 40, 50 or 500, I do not know.

Mr O'DUIBHIR: Very much so. It has been a joy to see them evolve to what they are now. To some extent I think our region is punching above its weight. I think our region is possibly, in this sphere, ahead of other regions. Some people's perception of the Bega Valley is that it is a backwater, they do farming and the beaches are nice. This alternative refrain that there are tech jobs, there are tech companies, there are agtech events, there are gamer development meet-ups and innovation weeks challenges your perception of the Bega Valley.

Mr CLAYTON BARR: I wanted to ask you in particular about Gamer Dev Jam. The reason I want to ask about that is sometimes as a local MP I go to the local schools and they set up a mock interview process for the year 10, year 11 kids to bring their curriculum vitae and go through questions and answers. When asked about their hobbies, I am surprised at how many young people say that they design and build games. They will say, "I have built these two or three games now. The first one I did I was in year 9, at the time I thought it was great, but now I look back and it was really clunky". They are sitting at home in Bega or Cessnock and building games. How many of those young people are out there?

Mr O'DUIBHIR: I think it is a small number, but if you put on a gaming or development event, you will get everyone who is interested in that topic there. When you aggregate that you are talking about 70 or 80 people. That is a good event.

Mr CLAYTON BARR: From across the region.

Mr O'DUIBHIR: Yes. There are 33,000 people in the Bega Valley, and with six weeks of marketing we were able to pool 70 kids into the Bega Valley Regional Learning Centre, which was probably our stand-out event up to that point. Our AgTech event, which David Harris opened, took that up to another level with another set of themes. I wish I had started with those themes six or seven years ago. It took me a number of years to figure out that game development is a real trigger with kids and AgTech is a real trigger with a very important community within the Bega Valley.

Mr CLAYTON BARR: Communicating with young people is a real challenge. You said marketing?

Mr O'DUIBHIR: Yes.

Mr CLAYTON BARR: How do you market something such as Gamer Dev Jam and get the message to young people that they need to be at this venue and this is what you are doing?

Mr O'DUIBHIR: I think we cheated a little bit.

Mr CLAYTON BARR: Good on you.

Mr O'DUIBHIR: We invited Stephanie "Hex" Bendixsen, an ABC television presenter, which was like bringing the Beatles to Cessnock.

Mr CLAYTON BARR: But you still had to let people know that she was coming?

Mr O'DUIBHIR: Yes. The momentum has built up because we have been around to all the schools. Every time I go to a school I get another email address to put in the newsletter. The newsletter is like a pulse. There are three or four of them. They may not go to all of the events, but they will identify an event that they know their kids will be keen on, and suddenly they will be there.

Mr CLAYTON BARR: That is all the questions I have for you. Congratulations. I hope you get 1,000 tech-sector jobs in Bega by 2030.

Mr O'DUIBHIR: I started off with 300 but Andrew Constance egged us on to raise it to 1,000. You can blame him.

Mr CLAYTON BARR: Good work.

Mr DAVID HARRIS: That was a great event. I was really impressed. I love drones and the drone set up there was just amazing. For the Committee, they were tracking drones live on screen doing aerial spraying in China. It was pretty impressive. What you are doing is really good and is working there. I want to explore how that model can happen in other places. So far, our experience is that most of the hubs have formed around universities, for example in Wagga Wagga and Coffs Harbour. Yours is different. You guys started that up. Can you tell us how that came to be? Was there any government support to get that up and running?

Mr O'DUIBHIR: I am a real believer in grass roots and long-term thinking. A lot of people invested in co-working spaces and they spent quite a good deal of money, but, as a business endeavour, they found it very challenging. Whereas, we spent virtually no money. We went up to Canberra to the second-hand furniture store and bought ex-government stock. We bargained with the guys for about an hour and we got 15 chairs for about \$200. We put them in the trailer and brought them back down. Two weeks later, we had Andrew Constance

opening the event and egging us on to 1,000 jobs, as I mentioned earlier. We did it extremely cheaply and we paid for it out of the commercial enterprise. Again, this exhibits the relationship between the commercial enterprise and the community enterprise. If we need funding for the community enterprise and we have had a good month in the commercial enterprise, we are of a mind to pay for an expense that will facilitate a community event. That is a good way to be. It means that we are not dependent on government, with respect. We can make decisions quickly and we can fund things quickly, as long as the business is functioning.

Mr CLAYTON BARR: Are you saying that 2pi Software pays for all of that stuff?

Mr O'DUIBHIR: When we need something quickly and we do not have money in the IntoIT kitty, I will go to my business partner and say, "We need this. Let's just chuck some money in and we will get it done quickly, rather than waiting for an application or something like that." That facilitates us greatly.

Mr DAVID HARRIS: That is a really interesting model and is very different from the other models that we have seen. In my area we have got the Nexus Smart Hub, which is a business in itself but is also funded through a business park. It is similar but different. Do you have a view on attracting start-ups or entrepreneurial people through organisations that you have set up yourself into hot housing? Do you think that if there are groups like yours that are operating and putting on events that are attracting like-minded people that will result in more people getting into start-ups, or does it happen differently from that?

Mr O'DUIBHIR: I think it is exactly that. If you put a lot of energy about the theme out into the community and you keep it going long enough, you will identify who else is in that community. That does touch on an earlier point. My business partner Carsten Eckelmann and I did a lot of the early work, but now there are six or seven other people. To some extent, I am a feather duster. Now, there are other people who are working really hard and pushing along this same thing, which is great. If I get hit by a bus on the way home, there will be a couple of other people who will continue on with the general idea of it. They may do it differently than I did, but it is a good feeling to know that we will have this continuity irrespective of that.

Mr DAVID HARRIS: There are definite benefits of living in that part of the world.

Mr O'DUIBHIR: Very much so.

Mr DAVID HARRIS: I enjoyed being there. But that has come about due to the fact that there is now improved connectivity, cloud computing and all of those sorts of things. As your website shows, you can virtually live anywhere and deliver worldwide when it comes to software development, et cetera. We have just heard from the Sydney School of Entrepreneurship. Do you think the government emphasis on how it distributes its resources should be focused on big population areas or do you think its focus should be more broad? I know your company is reasonably close to Canberra and that you travel back and forth to events. Is having a capital city that you can go to an advantage, or do you think it should be more widely distributed?

Mr O'DUIBHIR: I had a good discussion about this yesterday with Sarah Nolet, who is appearing before the Committee later on today. I would like an alternative model. I would like to be independent of the cities. I think there are a couple of missing pieces of the jigsaw. We have put in a bid for an incubator support program. If we get that—fingers crossed—in the next three to six months, there will be an incubator in Bega which mirrors what you have got in Sydney. What we do not have though is an angel funding group—a group of high net worth individuals who come together to put risk capital into smart ventures that the sons and daughters of our local farming community are proposing. My perception is that the farming community is full of really smart people. If we can get them some risk capital to proof ideas and test the market validity of those ideas we could move a heck of a lot quicker.

I think we need to build those things up independently. Even though we do not have "density" in our region, if you take a long enough time frame and you build it in a sustainable way, I think these things can really unlock the potential of this new sector in regional areas. I do take your earlier point. We have been lucky and we have done some hard work, and we have some successes on the board. I do not know if that is replicable around Australia, but there are certainly lessons from the approaches that we have taken that other areas around Australia could borrow from.

Mr ADAM CROUCH: I have a quick question. You just said that you applied for some incubator funding. In a lot of the areas we have seen, such as Albury and Coffs Harbour, councils have taken an active role and are encouraging entrepreneurship. Have you had a similar experience in Bega? Does the council want to be part of the journey and encourage that sort of thing? Is the council assisting in any way with the incubator funding?

Mr O'DUIBHIR: Very much so. The council has been very good. Again, I was very conscious not to build the community and the initiative around the council, because councils wax and wane and run short of money sometimes. If you have a dependency on them, you could end up in trouble. But I must say our council, over a

period of six to seven years, has invited us in to present to them a number of times along the way. When it came down to the incubator support bid we put in a clear request and they warmly received that and have put money into this bid. So I am extremely grateful to our council.

Mr ADAM CROUCH: That is really good. From your experience over the last decade, what advice would you give the State Government about how we could be doing this even better? Obviously Mr Kaye was quite complimentary about the way New South Wales is dealing with that. As an entrepreneur yourself, what advice would you give the Committee as to what we could be doing even better to push this forward?

Mr O'DUIBHIR: Again, I think things have changed in the last two years. It is looking a lot better at the moment than it did in previous years. I really applaud the Sydney Startup Hub and the Regional Landing Pad. The Regional Growth Loans, another State program, is a terrific initiative. Again, personally I am not that wedded to the grant pathway—I find it difficult and unwieldy—but schemes like the Regional Growth Loans have great appeal, so it was nice to see that come forward in the last two years. You mentioned the Minimum Viable Product [MVP] grants earlier. They are good but again probably a bit paperwork intensive—that is my perception of them. I would love to see a bold initiative from the Government perhaps around activating high net worth individual networks in regional communities. There are models you could perhaps follow: There are the Sydney Angels and the Capital Angels. Newcastle has the Founders Forum up in the Hunter Valley. If we could get one of those groups up it would potentially be the icing on the cake if we score this incubator as well. We will have most of the components for an independent, regionally based, thriving start-up community.

Mr ADAM CROUCH: I met with a number of people who have organised start-ups on the Central Coast, such as BlinkMobile and others. Their comment to me was that they think that rather than having government, even local government, run these incubator hubs and so on, they would be better handled by entrepreneurs perhaps working in conjunction with council. Again, local government and government do not tend to move as quickly. If we took the angel funding groups and those sorts of people who have already been successful and said to them, "We will provide the infrastructure; you provide the know-how," do you think that would be of benefit to our regional start-ups and hubs?

Mr O'DUIBHIR: I think that would be fantastic. Our experience with getting infrastructure from local government was a difficult one, so I would not tout that as the particularly perfect model—which is why we had to go off our own bat and set up CoWS Near The Coast—but if they could do it, and do it with a bit less paperwork and bureaucracy and a bit more quickly, they would really be helping the communities in a huge way.

Mr GREG APLIN: I was going to ask some of those questions along the line of funding because I think we need to analyse that—thank you for those answers. Congratulations on your submission. It was very exciting to learn of all those activities. We have explored government involvement from one perspective but you mentioned sponsorships. The range of activities that you have managed to coordinate bring this very much to mind. We talked about entrepreneurship as a career—this is what it is about. It is about stimulating individuals—young people as well as people who have already established their businesses but might want to go in a different direction.

There is an opportunity, I believe, for you to tap into government sponsorships through yet another angle which does not even occur here and we have not explored, and that is tourism. What you are doing is bringing people into your area to be part of activities, so it is well worth considering exploring the tourism funding for festivals and activities that bring additional people from outside the town into your area. I am glad you included that reference to sponsorship in your submission because I think it is very relevant. From what we saw in Coffs Harbour yesterday, governments want to associate themselves with growth. We simply have not explored this particular angle, so thanks for bringing it here in your submission.

Mr O'DUIBHIR: That would be very welcome if, through the tourism channel, we had more sponsorship for some of the activities—if we had more sponsorship we would probably run more activities. Events drive the whole process. The more events we can have, the more we can seed this cultural transformation and really give it life. That is a great idea. Thank you very much, Mr Aplin.

The CHAIR: As there are no further questions, thank you very much. If I may make an observation, I can see why people have bought into your vision and continue to do so. Congratulations. You seem to be doing a wonderful job. Keep up the good work.

Mr O'DUIBHIR: Thanks, everyone. I appreciate you giving us a hearing.

The CHAIR: Thank you for appearing before the Committee. The Committee may wish to send you 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?

Mr O'DUIBHIR: Yes.

The CHAIR: Wonderful. Thank you very much.

(The witness withdrew)

(Short adjournment)

SIOBHAN CURRAN, Manager, Integrated Innovation Network, Operations and Programs, University of Newcastle, affirmed and examined

MARK FLYNN, Executive Director, Global Impact Cluster, Better Health, Healthcare and Treatment, University of Newcastle, sworn and examined

The CHAIR: Before we proceed, do either of you have any questions concerning the procedural information sent to you about witnesses and the hearing process?

Ms CURRAN: No.

Dr FLYNN: It was very clear.

The CHAIR: Before we commence with questions, would either or both of you like to make an opening statement?

Dr FLYNN: On behalf of the University of Newcastle, I thank you for the opportunity to be present at this hearing. We welcome the questions that are forthcoming.

Mr GREG APLIN: To set the scene, can you give us the role of local universities in regional start-ups? We have heard from the Sydney School of Entrepreneurship today. We know you are a partner. I would like you to explain the role you have outlined in your submission and the role of local and regional universities in existing start-ups.

Ms CURRAN: From the University of Newcastle's perspective, being a one-university town in a regional centre such as Newcastle provides us with a unique opportunity to provide direct connection for our undergraduate student cohort into industry and business, so providing that talent pool of students who can participate either in start-ups or begin their own start-up businesses and, from the academic perspective, being able to provide research connections to small and medium enterprises [SMEs] and industry to help them solve their problems. Mark can probably speak a little bit more about Newcastle Innovation's role in that regard and, looking beyond Newcastle to any regional centre, for instance, in the United States and Canada this is very clear: regional universities play an important feeder role beyond undergraduate students and their research capability to establish reputation and connection between industry and academia for that particular region.

It also provides the opportunity for the region to—if there are industries where there is a particular area of focus for that particular region, the university is able to provide undergraduate student programming but also research into those particular areas as well as emerging research areas. For instance, Newcastle has had a strong background in advance manufacturing with BHP's steelworks and so forth. That is still definitely an area of focus for our region, but I think what has been interesting about what the university has been able to provide since the steelworks closed down was a focus on health. The opening of the Hunter Medical Research Institute and our pioneering program in integrated learning for our medical degree has been able to establish another vertical which we are very prominent in within Australia and internationally and that is health services.

Mr GREG APLIN: I take you to item 2(iii) in your submission, headed "Experiential programs built around business establishment". You mention it would be a valuable experience to regional students to be able start up their real business close to their place of study. You have worked on that yourselves and with the SSE. How do you see a role for the university in doing so and can you bring in the government aspect? For instance, you mentioned seed funding a little earlier, matching grants, I think it was under that heading, and you gave some percentages. How can you see government playing a role in encouraging what the university has undertaken in the education sphere and then translating that into start-ups in the regional area and then growing those?

Ms CURRAN: Obviously we leverage the relationship we have with the Sydney School of Entrepreneurship to deliver programming to students outside of, say, a business faculty, who might undertake a program in business, majoring in innovation and entrepreneurship. We have had a number of students from the faculties of engineering, built environment and sciences participating in those programs as well.

But in terms of being able to offer experiential programming, we have established a new course—this year is the third year it has run—is STAR4000, which is "start-ups 101", essentially, for our undergraduate student population. So we are able to engage the services of Slingshot, which is a corporate accelerator. The program is taught by entrepreneurs rather than academics. We are able to have that direct experience from entrepreneurs who teach students the essentials in entrepreneurship fundamentals—customer validation business models and product design. That has been really valuable, and we are doing it in a sort of boot camp style of delivery as opposed to three-hour lectures every week for 12 weeks, with the assessment being a pitch at the end.

So students undertake that boot camp process in a five-day model and are taught the deliverables by entrepreneurs. They are mentored along the way and then have to pitch in front of judges at the end. That provides that fantastic experiential learning that students favour these days and, to be quite honest, they need that if they are going to have any idea about what it is like to start your own business from scratch. For some of those students who have a great idea, being able to drive that idea forward and provide them programming that they can then undertake at a deeper level, and also provide them with some finance that could help them seize the idea and take it forward, would be very valuable.

Dr FLYNN: We have entrepreneurship innovation programs. We are also embedding the entrepreneurship and innovation into our established programs and our new programs. There are two which I think are highlights. We have established a Master of Bioinnovation and Design degree. We have also recently established a Bachelor of Medical Engineering degree. Both of those programs are very much embedded with industry and are about creating graduates who better meet the needs of industry. So they have been created in collaboration with AusBiotech with the Medical Technology Association of Australia.

We have also reached out to our industrial partners to create meaningful placements with them. Those meaningful placements can be with small start-up med-tech and bioscience companies but also with larger companies such as Johnson & Johnson, GlaxoSmithKline Australia [GSK] and those that have a very strong innovation framework. So we are able to offer students different examples of how they can get that knowledge from an experiential basis. We find it very valuable to get them out of the classroom and engaged with the leaders of innovation.

Mr GREG APLIN: I have one final question on this topic. Further on in your submission you talk about early-stage funding. You say:

Providing state support at an early stage of startup development would help budding entrepreneurs refine their ideas to create greater probability of success ...

How do you see that funding forthcoming and being administered?

Dr FLYNN: Today we see that there are a number of different funding solutions through TechVouchers, through what is offered by the NSW Department of Industry. From an entrepreneurial and innovation perspective, particularly in health, we would like to see funding in two ways. One would enable the start-ups and those with these ideas to find out if they are successful or not quickly. That is one of the challenges. They call it fail fast or succeed fast. How can we get companies or small start-ups to work out if their business models are correct so that they are not just bumbling along the bottom of the ocean and are able to see that?

One of the things that we were discussing—and have seen implemented overseas—is that in the Hunter region, other than the coal industry and the university, the local area health district is one of the largest employers. How could the New South Wales Government facilitate our health start-ups by procurement and other mechanisms to enable them to have early experience within the Hunter-New England healthcare system? That would be immensely valuable to those companies.

When we look at procurement, often in all industries, we need to work out who can supply the most at the lowest cost. But in order to support our innovators and our small companies, can we look at supporting them, through the healthcare system and other systems, in getting in? They can get experience and get important time with the surgeons and the clinicians so that they can see whether their idea works or whether they need to pivot to a different idea or even a different scope.

Ms CURRAN: I would like to add to that. Two of the areas that the Hunter region excels in is advance manufacturing and health care. But those are notoriously difficult and long-term in terms of getting customer validation. So there is a lot more investment required to build a product from scratch than, say, a software platform. The Hunter likes a challenge, and we have been gifted two sectors that we excel in, but they are notoriously difficult to get traction in. So if we are able to consider the start-ups that are working in those particular areas and how we might support them to get customer validation—not necessarily quicker but as prototypes and tested in markets more cost-effectively by providing them financial support—that would be very valuable, as well.

Mr GREG APLIN: Does that mean that you see them retaining a presence on campus, for instance?

Ms CURRAN: In the Hunter, yes, on campus ideally or within one of our hubs, which are often external to the actual campus itself. But if they can then remain in the Hunter to be able to deliver that kind of customer validation then they are more likely to attract and retain talent within the region rather than having to go to Sydney or San Francisco, for instance.

Dr FLYNN: And we have seen the success of that. The most obvious case recently is with Viralytics and their purchase by Merck of keeping that industry within the Hunter Medical Research Institute, making sure they can translate and continue to work there and giving them that space to grow so they were successful.

The CHAIR: Where would you see the necessary funding coming from for that idea to play out?

Ms CURRAN: If I can consider the New South Wales Government's initiative into, I think it is through Jobs for NSW and the NSW Innovation—I want to call it "program" but I am not entirely sure—where they have basically funded two programs, one which looked at reducing domestic violence reoffenders, and accessibility on public transport for people with disability. The participants in those particular programs, we had one group from the Hunter go through the domestic violence reoffenders program to develop a solution for that, and those start-ups were provided \$150,000 seed funding to develop their idea.

So if there were participants in programs that ticked the box from the New South Wales Government's point of view in terms of the programming is up to a particular standard, if there were start-ups that potentially then went through to a pitched demo night and placed first, second or third, then they were able to receive seed funding that would then enable them to continue on. I am conscious of the fact that we do not want all the funding coming from the New South Wales Government; I think it needs to be a partnership between industry, university and the Government definitely, but any support from the New South Wales Government to be able to provide that kind of seed funding when you look at the precedent has been set with the NSW Innovation program, that could then be potentially rolled out for other programs for undergraduate student and also research teams as well who we have going through the CSIRO's ON program too.

The CHAIR: Does Newcastle University invest in such things?

Ms CURRAN: Not yet, no.

The CHAIR: Why not?

Ms CURRAN: We do from the resources point of view; so in kind we promote the programs and we try and leverage as much as we can the programs that already exist. We are conscious of not duplicating the efforts of local providers, but, more specifically, CSIRO with their ON program, the Sydney School of Entrepreneurship as well as Slingshot, who deliver a regional incubator program which we are a partner in as well. We support those in kind in terms of promoting them, offering desk space and venue space for those programs to be able to be delivered. But in terms of why the university does not yet have a start-up fund, I know it has been tabled for discussion with Council, but that option is still being investigated.

Dr FLYNN: I am responsible for Newcastle Innovation, which is our business development and innovation arm of the university. The university puts in substantial resources to assist early ideas that come from our academic staff and students where appropriate, and those resources are focused on assisting with business development—so helping them develop business models but, importantly, looking at intellectual property protection and facilitating intellectual property around the world. Those costs are not minor; they can be upwards of \$100,000 just for the intellectual property, and then if you factor in in-kind support. The university then assists those start-up companies with help with finding equity. We are also working through our partners such as AusIndustry and also the New South Wales Government.

In return for that amount of assistance, we do work closely with the company and we do look for a royalty payback for our position. That is the model that we are looking at. We are, as we move forward—and acknowledging the universities are a bit risk averse—looking at equity stakes and those types of things. But what we have found works for us, at least until now, has been taking royalties and licences.

The CHAIR: Speaking of equity stakes—put your taxpayer hat on now—do you think it would be a reasonable use of taxpayers' dollars for the Government, for example, to take an equity stake in such?

Ms CURRAN: I would argue that the Government already does by providing the services that they do to small businesses in terms of business support and all of the programs that Jobs for NSW does, for instance, like establishing the Sydney Startup Hub and the Sydney School of Entrepreneurship. So from a taxpayer's point of view I feel like that is definitely a role that the New South Wales Government already does by directly investing in start-ups, and taking an equity stake I think is a different story to providing seed funding with no equity stake. I think that if there was a mechanism for us to be able to establish great start-up ideas that have potential to scale and grow, then we would be making a very educated and qualified means of being able to support those start-ups that will then provide jobs growth either within the region or nationally and internationally. That would be my opinion on that.

Dr FLYNN: With my taxpayer hat on, I would want to look at where is the value and what is the bigger picture? For example, I could look at the United Kingdom and what they are doing in the National Health Service

to support innovation. They have recognised that they have an insurmountable amount of money they need to pay in the next 10 years to preserve the level and improve the level of health care of people in the United Kingdom. They are looking at what are the innovations they can support to reduce the burden on the taxpayer for health care going forward and how do they support new innovations within the system?

So I think if you frame it that this is about us investing in the future of the people of New South Wales and Australia, that is the way forward. The other way for the Government to look at things is how can we unblock the system to support innovation? I know that if we look at systems overseas, not every one is perfect for Australia and you cannot take the best, but if we look at, for example, Sweden, where I lived for a number of years. In Sweden, to start a company as your own company with a business number et cetera so you can start trading up to a reasonable level takes you about 45 seconds to one minute online and you will get immediate assistance from the Tax Department, and there is no cost, because at least there they have recognised that if we get people starting businesses and we get that moving forward we can get an entrepreneurial innovation culture going forward.

I see the role of government as probably threefold: How do we fund these things that are in the good, such as through health care, a school service, those types of things? How do we encourage industry to invest in start-ups by making the system easier for them to invest in Australia, such as what you have through the New South Wales Department of Industry? Thirdly, how do we make the system easier for people so we reduce the bureaucratic burden on them to actually be a start-up.

The CHAIR: I would like to touch on the Hunter Infrastructure and Investment Fund. As you can see, I am the member for Upper Hunter, so I have got a little bit of interest here, and we have another Hunter member and members from close by.

Mr ADAM CROUCH: Two from the Central Coast.

The CHAIR: You mention in your submission that the State Government has been directly supporting start-ups in regional areas. You mention the Hunter Infrastructure and Investment Fund [HIIF] has been a good fund for that purpose. Can you elaborate on that? Can you give us some examples, in the context of why we are here inquiring into start-ups and what the Government can do to help, how the HIIF has been helpful?

Ms CURRAN: It is yet to be realised because the consortia made an application to the HIIF, which was the University of Newcastle, Newcastle City Council, Newcastle Now and Hunter DiGit, for an application for three projects. Stop me if I am telling you something you already know here.

The CHAIR: It is not just for my purposes.

Ms CURRAN: Two of those projects relate to Smart Cities/Infrastructure. The first one is being delivered by Newcastle City Council, which is the implementation of smart poles for parking and lighting within a certain area of the Newcastle central business district. The second is the development of an innovation precinct which provides fibre to the premises for, I think, approximately 200 properties. Then the third project is to be operated by the University of Newcastle and that is the development of an innovation hub that is being scheduled to open in 2020 at Honeysuckle, and that will hold about 100 to 110 seats for not just students, staff and academics at the university but their industry partners and also the wider community to support start-up growth within the Newcastle region. Prior to that being opened, we were able to take advantage of the funding through the Boosting Business Innovation Program of the NSW Department of Industry to open what we are kind of calling test tube innovation hubs so that we can test and validate a whole bunch of different assumptions we have around programming all verticals that we might want to focus on in the lead up to that innovation hub at Honeysuckle opening. We opened the Three76 Hub on Hunter Street in the central business district, which has 32 seats, in October 2017—is that right?

Dr FLYNN: Yes.

Ms CURRAN: Sorry, 2016. Then we opened the Williamtown hub, which has a focus on defence, in late October last year and we also have a Muswellbrook hub, which is focused on energy resources, food and water, in November last year. They all have different models of operation, whereas the Three76 Hub is purely commercial co-working. We run programs from that space and they include start-up workshops, business development workshops, office hours and obviously just being able to have a collaborative environment where people who are working in start-ups can base themselves and learn from each other. Williamtown has a mix of commercial co-working but also desk space for our researchers and their industry partners in defence to be able to work from. Muswellbrook is more geared towards no commercial co-working but we have desk space for our researchers and their industry partners to work from up there. The findings that we develop from the programming and the operations that we have within those spaces will help inform what will take place at the innovation hub at Honeysuckle when it opens in 2020.

Mr ADAM CROUCH: I congratulate the University of Newcastle. The collaboration between the Federal and State governments and the university has seen the delivery of a great medical research unit. I am the member for Terrigal. We know that health is the biggest employer on the Central Coast. Earlier you spoke about government support and government funding. You also spoke about how we as a Government could make it potentially easier. Can you give the Committee a little more detail? We know about the megabits per second [mbps] and the TechVouchers. Are they the most effective way to provide seed or initial funding for entrepreneurs or do you think we could be doing it better? If so, what sort of model do you think could be a better outcome for people applying for it? Should we be sharpening the pencil to make it a quick, responsive and effective system that may not necessarily involve large sums of money? What are your thoughts?

Dr FLYNN: I think we are actually looking at two different questions here. The first one I think is where the system seems to be going well. What we see through TechVouchers, what we see particularly through AusIndustry Accelerating Commercialisation, that works for small companies that have already got themselves going, that have got a reasonable turnover. They are now seeing the opportunity to engage with the university to leverage some of their money to do research to get to the next stage and to move themselves forward. I particularly see that being valuable in companies that can engage to do what exactly is not their core business. For example, a medical device company has a number of engineers. It does not typically engage the university for research on engineers because they have those. They may engage the university and conduct research on how to apply their technology to the human body and engage our clinicians or alternatively engage research on regulatory—how can they use their device to determine their pathway to market it in different countries?

Where I see the challenge from, and particularly the challenge in health care, is how can we develop a system that works with the health system to identify the challenges in the healthcare system? To document those and then to encourage our entrepreneurs and innovators to develop solutions for that. That is where I see there is a gap between the university, industry and the healthcare system. For example, we do not have an innovation hub at the Hunter Medical Research Institute or located at the hospitals—either the John Hunter or the Calvary Mater group. Trying to get that going, where there are people focused on entering the challenges of the healthcare system with funding to assist start-ups that they identify, that would be enormously valuable in my mind and is probably somewhere I would like to see more traction.

Ms CURRAN: Can I give an example that relates to that? We recently hosted a New Futures Hackathon for Aged Care. So we had people from all different backgrounds apply to participate in that particular hackathon. A "hackathon" is where you deliver a problem statement and teams of up to five people have 10 hours to come up with a working prototype that delivers a potential commercial solution to that particular problem. The team that placed first from that was a group of people who the majority of them did not know each other before they started and they are now looking at actually setting up a business and pursuing this idea as a commercial venture. What we are going to have problems with now because it is in an industry or a sector that is very complex—aged care—is being able to connect them to a service provider or government to be able to validate that idea in market. That would be so valuable to them but there is no clear way for us to navigate for them.

Right now the currency for us in the innovation ecosystem is networks. How do we know that we can connect them through informal pathways to get those opportunities going for them? Sometimes that works really well and sometimes it does not. If there was a pathway, as Dr Flynn was saying, where particular issues are identified by a particular sector—rather than trying to be all things to all people and do a program that runs along all industries—maybe just focus on one or two and identify three or four particular problems. Then present those problems to small- and medium-sized enterprises [SMEs] and entrepreneurs to develop solutions for and then provide them a pathway for them to be able to test those ideas in market and get that traction. That would be very valuable.

Mr ADAM CROUCH: Was that hackathon conducted in Newcastle?

Ms CURRAN: That is correct.

Mr ADAM CROUCH: You have effectively identified someone has got a potential product that could work. The barrier is to actually get that person through the hoops to be able to take it to the next level and get the funding they need to run trials, et cetera?

Ms CURRAN: Exactly.

Mr ADAM CROUCH: So it has been validated by the hackathon?

Ms CURRAN: Yes.

Mr ADAM CROUCH: The weakness in the system now is that we need to take that group of people who have come together and get them to the next point where they can get some funding?

Ms CURRAN: That is correct.

Mr ADAM CROUCH: At the university level we obviously have tertiary education and the university is looking at entrepreneurship. Has the university looked at engaging with both primary and secondary educators about entrepreneurship as an opportunity for further education?

Dr FLYNN: The university has a number of programs that engage with secondary education. I think there are two avenues here. One of them is that we have a number of programs, particularly outreaching science, technology, engineering and math [STEM]. The STEM program is very project orientated, it is very research-orientated, so it does get them thinking about the next problems. One of the other ones that was very exciting—and I will pass over to Ms Curran to talk about it—was when we had a similar event to the hackathon that we called a collider event. It is a smaller one getting people together and we had a group from the local high school.

Ms CURRAN: We put on an event called Ideas Collider, which is like a mini hackathon. They have an hour to come up with an idea. It is basically just to get people in the mindset about what it takes to develop an idea. We split them into groups where they do not know each other. There is a level of uncertainty around what the skills are on the table so they have to learn very quickly and then also address certain criteria within a pitch at the end of that one hour to present a commercial potential idea. It is through those kinds of programs where we are introducing people to the concept of entrepreneurship and risk taking and realising that you do not have to have something perfect to present and you do not have to work on it for years and months and spend thousands and thousands of dollars to do it. That particular program is being deployed with five Hunter-based high schools in the beginning of July.

We were approached by Nathan Towney, the principal of the Newcastle High School, to see what we could do with them in terms of engaging their students that are interested in entrepreneurship. We mentioned to them the Ideas Collider concept. He has now coordinated four other high schools. I think we have got Kurri Kurri, West Wallsend, and I cannot remember the other two, that are coming along to NeW Space, which is our faculty business and law building in the centre of town on 6 July. There are 10 students from each school, so there will be 10 teams and a student representative from each school on each team. They will be presented with a grand challenge and they will be asked to develop a commercial solution to that challenge in under an hour and then pitch it to judges.

At the meeting that I had with Nathan last week he said to me that all the other high schools that recently were at a conference together were, like, "How do we get to know about this? We want this kind of program for our students as well." We are definitely looking at being able to expand that to other high schools, not just within the Hunter region but also the Central Coast, knowing that we have a presence down there as well. The other program that was born at the University of Newcastle is the Science and Engineering Challenge, which is now a national program that runs through high schools across Australia. We are very engaged in that respect around encouraging students, but particularly females, into science, technology, engineering, and mathematics subjects not only within high school but also in university as well.

Mr ADAM CROUCH: It was Nathan who came to you with the idea. Prior to that, had the university gone to schools trying to encourage this? Have you met any barriers at all?

Ms CURRAN: No. I guess the focus through the Boosting Business Innovation Program was how do we engage undergraduate students. The NeW Futures Strategic Plan for the university has a lead strategy, which is UON Entrepreneur; and that is: how do we engage students in the concept of entrepreneurship, knowing that the future of work is changing and they are not going to have the same jobs and same longevity in careers as our generation had? The focus initially for the activity we are doing through the Boosting Business Innovation Program, the Integrated Innovation Network, is: how do we focus on programming specifically towards the undergraduate student population but also the academics as well? How do we take that big problem where we are really good at developing ideas and new research discoveries but we are not so great at commercialising them; so what can we do in that regard as well?

I guess the best opportunity for us out of the Boosting Business Innovation Program is that we are also able to engage anyone from the public. I guess this goes back to the idea of the benefit of being a one-university town, particularly with a large cohort of undergraduate students that come from the Hunter and Central Coast regions. For instance, we had a group of start-ups that travelled down to Sydney as part of CeBIT a couple of weeks ago called the Start-Up Xpress. We had 23 start-ups that were part of that group that came down to the New South Wales Parliament and then headed over to CeBIT. I would take a stab, but it is a pretty good guess, that 90 per cent of those founders were graduates of the University of Newcastle. Our ability to engage across the community in that way is almost by default because so many people study at the University of Newcastle already anyway.

Mr ADAM CROUCH: Where you have a joint campus like Ourimbah, where you have TAFE and the university on the one site, would I be right in assuming that they could be a natural spot for an incubator for young people at high school wanting to further their entrepreneurship?

Ms CURRAN: Potentially. With the opening—and I always get the name of this wrong—the medical precinct that as opening as part of Gosford is potentially having a health-focused co-working and incubator space out of Gosford.

The CHAIR: In the interests of timekeeping, we had better share the questions around.

Mr CLAYTON BARR: I have just a couple of quick questions. The Sydney School of Entrepreneurship obviously needs to have more than just a Sydney focus. It needs to have a regional focus as well. How is that working for you as one of their partners in terms of that school operating and having a presence in a region like the Hunter as opposed to just being stuck here in Sydney?

Ms CURRAN: We have had 14 students go through the Navigator program, which is the first program that the Sydney School of Entrepreneurship has run. I think that is out of a group of 80 students in total. We are the second-highest number of students that participate in that particular program.

Mr CLAYTON BARR: Can I just clarify that that means that they need to go down to Sydney to participate in the program?

Ms CURRAN: That is correct. It is a mixed online/offline. They do have to go down to Sydney and they get travel subsidies to be able to do that.

Mr CLAYTON BARR: And an accommodation subsidy?

Ms CURRAN: That is correct, travel and accommodation subsidies, which is very appealing, obviously. That is only surpassed by the University of Technology Sydney, who are on pretty much the same campus as the Sydney School of Entrepreneurship. There is obviously an appetite within the regions to be able to participate in this type of program. I do think that there is probably capacity, or there could be capacity, by the Sydney School of Entrepreneurship to support the regions more broadly, potentially, through their speaker Visiting Entrepreneurs Program. We have been able to take advantage of that where we have had two entrepreneurs visit through their program. They speak at Sydney and then at regional universities. Several of those are selected for that entrepreneur to go and speak there as well. That is just so valuable for us to be able to access that kind of talent.

Mr CLAYTON BARR: Can I ask why?

Ms CURRAN: Because expertise needs to be displayed not just from within the region but from outside of the region, and also outside of the country. That particular program has international speakers who are coming—

Mr CLAYTON BARR: I am sorry, can I reframe the question. What is the importance of having that person physically come to Newcastle as opposed to just streaming their session online?

Ms CURRAN: I think the engagement is much higher when the person is in the room. Obviously, they are able to ask questions. Participants are able to ask questions of the speaker afterwards. I think it provides a much greater feeling of goodwill that the region is deemed important enough to have a speaker come to that region to speak directly. I think actually being able to get representatives from the Sydney School of Entrepreneurship, having them in the region as well and being able to just have those casual conversations around that event, about what they are doing and what we are doing, seeing our spaces and getting a bit more of an understanding from the attendees about what the ecosystem is like within the region. It is like: You can watch a travel documentary, or would you rather go and visit the country?

Mr CLAYTON BARR: To that end, if a guest speaker comes out and speaks in Sydney, then, based on your logic, the benefit to the people of Sydney would be higher because he or she is personally in the room, and the benefits of that to the regional partners is lower because he or she personally is not in the room. So Sydney gets a bigger bang for the buck for that person visiting compared to the regions, which do not get that person.

Ms CURRAN: I would agree with that, yes.

Mr CLAYTON BARR: If we take that to the next step, if that person comes to Newcastle but does not go to Wagga Wagga, Coffs Harbour or Lismore, then again those regional communities do not get as big a bang for the buck as Newcastle was lucky enough to do.

Ms CURRAN: Yes.

Mr CLAYTON BARR: Okay, cool. I think that is an ongoing concern of ours. Earlier the Chair put the question to the Sydney School of Entrepreneurship about their regional outreaching and regional labelling. Can I then ask the University of Newcastle about how you physically reach out into the Hunter and the Mid North Coast and Central Coast? Everything in your submission seems to be bringing the people to the Newcastle CBD, which we all know geographically is at one end of the Hunter region. It is almost as though everyone has got to come to us. How are you guys going with your efforts to go to everyone?

Ms CURRAN: We actually have just started live streaming our start-up stories event series. We have had 35—

Mr CLAYTON BARR: You have just acknowledged that is not as good as the presenter physically being in the room.

Ms CURRAN: One hundred per cent. Yes, I completely agree with that. The tyranny of distance is real and as regional members of Parliament, you know that better than anybody. In lieu of not being able to have the resources to have those entrepreneurs like the Visiting Entrepreneurs Program through SSE visit all of the cities in New South Wales, the way we get around that is that we can put on programs in Newcastle, which is two hours closer than if it was only being put on in Sydney. It is providing a regional hub for that activity to be able to happen. We also do business development workshops at Muswellbrook and events at Muswellbrook and at Williamtown as well where we have a presence. But we do live stream our public talks as well. We have only just started doing that this year.

The talks that we had last year we recorded and they are on our YouTube channel and they have garnered thousands and thousands of views. What is important about that particular program, the Startup Stories program, is out of the 34 entrepreneurs that we have had featured 32 of them have some kind of affiliation with the Hunter region—they live here, work here or studied at the University of Newcastle. That is demonstrating to the region that you do not need to move to Sydney or San Francisco to start a start-up, it is possible to do it within the region. That is a program that we are really proud of and we are really happy to be able to record those talks and put them up online in perpetuity so there is this amazing collection. What is going to be really interesting is looking at the collection of videos in five, 10 years time and seeing where those companies have gone on to and what their story is like.

Mr DAVID HARRIS: I am really impressed by what I have seen on your website, there is some good work being done. Can you quickly, in one minute, tell us about the Icon Accelerator, your relationship with Slingshot and how that fits in with the STAR4000 course?

Ms CURRAN: Slingshot co-founder Trent Bagnall is a graduate of the University of Newcastle and lives in Lake Macquarie. When he first developed the idea for Slingshot corporate accelerator the University of Newcastle was one of the first partners to support the program. From that relationship we were able to engage Slingshot to develop the STAR4000 course work program and they made a submission to the incubator funding with the University of Newcastle's in kind support for the Icon regional accelerator. We, Trent, or Slingshot, and the University of Newcastle identified a gap that there was no regional accelerator anywhere in Australia. While we do not have the density of Sydney we have more density than another regional area in New South Wales. There was capacity for a program like that to run within the Hunter region and they made the application for the Icon program.

We ran the first cohort last year. We had five teams run through the program. All of them are still operating now and the second cohort is running September/October this year. What was interesting about that particular program was realising that the region's capacity to understand start-up fundamentals maybe is not where it should be. The program also offers a business boot camp, like a pre-accelerator program several months before the applications open for the accelerator program. That is just to be able to develop the pipeline of potential applicants for the program and that is not something Slingshot normally does for any of their other corporate accelerator programs.

The CHAIR: Thank you for appearing before the Committee today. The Committee may wish to send you 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 questions that are forthcoming?

Ms CURRAN: Absolutely.

Dr FLYNN: Yes.

(The witnesses withdrew)

ANNETTE CAIRNDUFF, General Manager, Research, Evaluation and Partnerships, Foundation for Young Australians, affirmed and examined

GARY LEUNG, YLab Associate, Foundation for Young Australians, affirmed and examined

The CHAIR: I welcome Annette Cairnduff and Gary Leung from the Foundation for Young Australians [FYA]. 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 CAIRNDUFF: No.

Mr LEUNG: No.

The CHAIR: Would either of you or both of you like to make an opening statement?

Mr LEUNG: My name is Gary Leung. I am a YLab Associate with the Foundation for Young Australians. As is often the case for young people, I am a "slashie"—I have many roles, I wear many hats. I am working on a couples counselling start-up called Ignite. I also work for a cleantech start-up accelerator, EnergyLab, where I run special projects, often hackathons and networking events. I also run Greenhouse, which is a monthly envirotech event series, partnered with WWF, where we explore how new and emerging technologies can be applied to social and environmental problems.

Building a start-up is really, really hard. It is said that behind any start-up success story, there are countless failures and years of hard toil. I can personally attest to that. I have had failed start-ups in virtual and augmented reality, and in sustainable purchasing. However, there are ways that government policies and programs can make it easier. Young entrepreneurs are often not taken seriously or thought of as capable because they are young. Those sitting here today will see that I am dressed in a certain way, which also happens to make me look older. I have learnt that projecting a certain brand facilitates conversations and meetings that help me build my start-up.

The lack of entrepreneurial mindset, the perception that entrepreneurship is not real work, can be extremely damaging for young people. Programs like FYA's Young Social Pioneers social enterprise incubator, and the YLab gig economy social enterprise connect young people like me with a network of peers also working on start-ups and social change initiatives. It is by seeing other young entrepreneurs that young people can see themselves as entrepreneurs, and so they can actually be entrepreneurs.

I would like to emphasise the importance of peer networks and community in entrepreneurship. In the start-ups that I have worked on I have always learnt more from fellow entrepreneurs than I have from any formal start-up programs. The thing about being young is that everyone has advice to give you. I have received a lot of advice. And through all this advice I have realised the advice coming from people in large companies, small- and medium-sized enterprises and government is at times poorly targeted and not relevant. Start-ups are fundamentally different to large companies and SMEs. Start-ups are starting small, but thinking big. Start-ups are also working with new technologies and new business processes.

Building start-ups requires different skills and knowledge to that in large companies and SMEs. For that reason, it is of key importance that start-up programs need to be entrepreneur and youth led. The best advice is the advice that is coming from the person that has just done what you are trying to do. Important in fostering networks are enterprise or collaboration hubs like EnergyLab, the FYA Hub, and the Sydney Startup Hub. These hubs serve as shared spaces where young entrepreneurs work, connect with peers, and collaborate on projects. They allow entrepreneurs working at their desk to turn around and immediately find relevant advice and coaching specific to the problems they are facing.

I mentioned earlier, that start-up life is really, really hard. Every entrepreneur has stories about deals falling through, running out of cash and things not going to plan. When things go wrong enterprise hubs are an important source of support. They are a place to commiserate with fellow entrepreneurs, deal with the emotions connected to failure and then figure out your next plans. My fear is that young people in regional areas will not get access to the opportunities, networks, and support available from being part of such hubs. Technology offers a potential solution to connect and integrate regional and urban co-working spaces and accelerators, but is not yet fully viable.

The youth unemployment rate in regional New South Wales reaches up to 30 per cent, compared to the national average of 13 per cent. This demonstrates the critical need for development of entrepreneurial hubs and networks. Young people deserve to be part of a community that not only believes in them but also supports them. Lastly, I would like to speak about start-up incentives and grants. Greater start-up incentives are needed and they

need to be better targeted. Financial grants, loans and income support need to reach young people working on early-stage high-impact start-ups. Too often I have seen grants awarded to start-ups with only modest local and regional ambitions and with only experienced entrepreneurs. I put this to government departments and grant committees being naturally risk-averse. However, in this rapidly changing high-tech globalised economy, we do not actually know which start-ups are going to work. It should not be up to government to pick and choose the winners. If anything, we should be betting on high-risk and high-return start-ups that have the potential to have a big impact on the world.

Ms CAIRNDUFF: I would add to that something about the conversation happening around entrepreneurial mindsets. Developing an entrepreneurial mindset in young people is important not only in relation to start-ups but also because we know it is going to be part of work in the future. Young people are going to need more and more of an entrepreneurial mindset in their day-to-day work. They are likely to have five jobs over 17 careers and are very likely to hold, like Gary, multiple jobs at any one time. It is going to be necessary for them to be able to think and work like an entrepreneur, even when they have jobs where they are not running their own start-up. The Foundation for Young Australians has been running programs in schools for a number of years, including \$20 Boss, which you might have heard of, which is probably our best-known program. There are 56 schools in New South Wales that are participating in that program this year, and about 22 come from regional areas. A lot of them are in Wyong, the Central Coast and the Hunter. We have provided that program to 10,000 students every year for the last few years.

It is the largest program run in schools for young people. The students get a \$20 start-up grant and they set up a social enterprise over the term. It is mapped to the curriculum, so it is not run in class. The students then return the investment; they have to pay us back the \$20 at the end of the program. Those young people are making thousands and thousands of bucks out of their \$20 for their local community and local charities. They can choose to reinvest their profits into the business or they can give it to a charity, local non-government organisation or whatever organisation they have decided to support through their social enterprise. Those programs then run through. We have programs for young people in year 8, 9, 10, 11 and 12, including Innovation Nation, which is based in communities, and the Young Social Pioneers program, which is the only program aimed at young social entrepreneurs in Australia. Australia is one of the last developed nations not to have an entrepreneurial start-up incubator for young people that is federally funded. That is where I start from.

The CHAIR: What age bracket does the Foundation for Young Australians cover?

Ms CAIRNDUFF: From 12 to 30.

The CHAIR: Mr Leung, may I call you Gary?

Mr LEUNG: You may, yes.

The CHAIR: Tell us a bit about yourself.

Mr LEUNG: I am on my fourth or fifth start-up at the moment. I used to work in corporate consulting. I was a risk consultant with KPMG and worked in environmental consulting. I did not find working for large companies meaningful. It was not satisfying for me. For a while, I tried to work full time and do start-ups, but that really was not sustainable. I was getting something like four hours of sleep a night over a six-month period. Eventually, I moved fully into start-ups and now I pick up casual consulting work on the side to keep me going.

The CHAIR: May I ask how old you are?

Mr LEUNG: I am 33.

The CHAIR: You said you had some successes and some failures. Can you describe what you consider a failure?

Mr LEUNG: One of the start-ups I worked on was a relaxation/meditation virtual reality [VR] app. We put some money into the development. I was trying to find corporate partners. My belief was that we could build this thing—it solves a real problem for people. But how were we going to get people to use it? People would have to notice what we were doing, download the app, open the app and plug it into a VR headset. That is a lot of steps, and if we did a freemium model, they still would not have paid us any money. My view was that we needed to find a corporate partner or some sort of large company to partner with so that we could have this go out to their customers. I pitched to a number of environmental not-for-profits, but I just could not get it going. Having now worked with the World Wildlife Fund, I realise that those organisations were not really in the position to back the sort of start-up I was doing at the time.

The CHAIR: Would you call it a failure or a lesson learned?

Mr LEUNG: I would call it both.

Ms CAIRNDUFF: At the Foundation for Young Australians we would call it "flearning"—failure to learn.

Mr GREG APLIN: Thank you for your presentation. It was all-encompassing in many respects. Can you give me a little bit of the history of the Foundation for Young Australians? I ask the question because prior to coming into this role about 20 or 30 years ago, I was an annual judge on a project that was identical to the \$20 Boss program. It may have been run by a prototype organisation for the one you have now. Do you have any knowledge of that?

Ms CAIRNDUFF: The \$20 Boss program is modelled on a program that comes out of the United Kingdom, the name of which is Tenner. The Foundation for Young Australians came out of a merger of the Education Foundation and the Queen's Trust and money that came from the bicentenary. The \$20 Boss program has only been running for four years. I do not know the program that you were on. Was it a social entrepreneurship program?

Mr GREG APLIN: It was a voluntary organisation that encouraged young people who were primarily still in school to undertake the start-up thinking. That is where I want to lead to. In your submission, you mentioned the lack of an entrepreneurial mindset. I think it has always been there; I think we are doing a lot more in that sphere than ever before and that is the purpose of this inquiry. You recommended that entrepreneurship should be better promoted as a viable career option to school and tertiary students. How should entrepreneurship be promoted in regional schools in particular?

Ms CAIRNDUFF: I do think it is partly about having programs such as \$20 Boss. There are other programs around. For example, there is a terrific program called Kidpreneurs, which is working in schools and communities. These programs give young people an opportunity to start up something. They have an opportunity to work and collaborate with people to start something up in their own community that is relevant to their own lives, that they have connection to in terms of their own day-to-day experience, and that is relevant to their community and place. We know that with young children, in particular, it is very important. It is important to have opportunities to experience what it is like to start something up from scratch, to fail or succeed, to put something into action and to have the opportunity to engage with other young entrepreneurs from the region.

One of the things we talked about in the submission was having launch clubs or launch hubs in an area. We have talked to a whole lot of different potential partners to do that with, including local councils and local universities and TAFEs. They would be a place where young people could meet, engage and have opportunities to undertake training and professional development around particular issues to do with managing a start-up. There are practical things that young people need assistance with learning, including marketing, financial management and all of the things that are associated with starting up a business. Having a hub where they can do that and, as Gary referred to, being able to talk to other people who are at different stages of development at different times is one of the real opportunities in regional Australia. We have had some discussions in south-west Victoria around establishing hubs in one of those regions with the local council and with a university in Queensland about having a location on a campus young people could come to as part of their learning.

Mr GREG APLIN: Thank you very much—you have actually answered my question, which was all to do with the benefits of the hubs and the launch clubs.

Mr ADAM CROUCH: You mentioned earlier that you are engaged in 56 schools, about half of them on the Central Coast and in the Hunter.

Ms CAIRNDUFF: Half of them are in regional areas of New South Wales. We get corporate funding to do the programs and we go out to schools. So far we have reached about 50,000 young people across Australia with that program. The number of schools we can provide support in is limited by the amount of funding. This year we have got 56 schools in New South Wales engaged in the program.

Mr ADAM CROUCH: Is that all through corporate sponsorship that that has been able to be achieved?

Ms CAIRNDUFF: Yes, it is through corporate sponsorship.

Mr ADAM CROUCH: With regard to the 56 schools, are there barriers to entering into our schools? There is a lot of enthusiasm about tertiary entrepreneurship but from evidence we have received so far there seem to be quite a lot of barriers for younger people, prior to tertiary education. Are you experiencing that issue?

Ms CAIRNDUFF: It is difficult to negotiate the education system if you are not in it, and even if you are a player in the education system. New South Wales, as committee members would know, has the largest education system. Being able to negotiate and navigate that system is always difficult for non-government organisations [NGOs]. Certainly that is part of the complexity. At the moment we are approaching schools directly. We basically get out and engage with the schools ourselves. The NSW Department of Education is

supportive of the program. In most circumstances people think the idea that we might be able to engage really young with primary school and high schoolers around the ideas of being an entrepreneur sounds like a good idea, but it is not necessarily what happens in terms of being able to engage it.

With \$20 Boss we have mapped the program against the national curriculum so it is able to be assessed. It is designed in a way that it can be rolled out by the history teacher or the physical education [PE] teacher, depending on what it is. There is one school where the young people decided their teachers were a bit fat so they set up a boot camp for their teachers. It is three years later and that boot camp is still running. These young men are running a boot camp in their area around getting people fit in their community. Obviously that was done through a Personal Development, Health and Physical Education [PDHPE] framework whereas sometimes it is done across other subject areas. We have tried to make it so that it is as flexible as possible for schools finding a place for it and finding that champion teacher who is interested in engaging, because that is the issue. You need a champion teacher or a champion principal in a school who is going to say: "This is actually a key activity and we recognise it as such."

Mr ADAM CROUCH: You mentioned the NSW Department of Education has been supportive. How is that support provided?

Ms CAIRNDUFF: They recognised the program and acknowledged its value and are positive about us engaging in schools.

Mr ADAM CROUCH: Have they reinforced that with schools?

Ms CAIRNDUFF: Yes.

Mr ADAM CROUCH: You also mentioned finding that champion principal or teacher. Mr Leung mentioned in his presentation that the best form of entrepreneurship is being taught by another entrepreneur and being able to fall back on that entrepreneur. Given that, do you think it might be more beneficial, rather than finding that champion teacher, to have a champion entrepreneur such as Mr Leung go in and run that course inside a school?

Ms CAIRNDUFF: The issue then is that you are dealing with a much more resource intensive activity. There are two things to that. The first is it is much more resource intensive because you have to have somebody such as Mr Leung in every area who is interested and then you have to pay that person to be engaged in the activity. Part of the program involves young people having conversations with local businesses and mentoring and support from a local business and so on.

But the other part of that is that we know that these skills, this way of thinking and the sorts of skills that you learn through establishing a social enterprise as a collaborative group—which is what happens with \$20 Boss—means that those young people are developing a whole lot of the twenty-first century skills that we know they need for jobs of the future, not just if you want to be a social entrepreneur or an entrepreneur. They are communication, collaboration, critical thinking, problem solving—all of these things that cross multiple domains in terms of the skills and capabilities we need young people to have for the future of work. And we need teachers to be the ones who know about how to facilitate that kind of learning. Until we are able to have a cohort of teachers in every school community where that kind of thinking is immersed in the learning, the kind of entrepreneurial mindset learning that needs to occur will not catch up, if that makes sense.

Mr LEUNG: I want to emphasise the importance of entrepreneurial mindset and thinking. It is best to learn from entrepreneurs because they probably have the most relevant advice. But the greater benefit of being with entrepreneurs and learning from entrepreneurs is that their mindset comes through their passion for the work and what they are doing. They are someone who is out there making it happen. The more important part of it is how we build this entrepreneurial mindset. One way is to have these entrepreneurs going out to schools and talking to young people so they feel that passion. Another way is to build these communities so entrepreneurship is a real career option for young people and they are surrounded by other people. They see other young people doing this stuff and they think, "Wow! I can do this." That is real entrepreneurship and real entrepreneurial thinking.

Ms CAIRNDUFF: And they are skills. There is a mindset but there are also the skills you need. There is a difference between those things.

Mr ADAM CROUCH: With your experience with start-ups, I want to ask you about funding from the New South Wales Government for start-ups. We have heard various different concepts about this. You have lived through it multiple times. Do you think the system we have in place in New South Wales is effective or could it be improved? What could we be doing better in New South Wales to make young entrepreneurs especially able to achieve those goals through the funding mechanisms we already have in place? Can they be better?

Mr LEUNG: In my opening statement I mentioned that a lot of the financial incentives, the grants, are going to the experienced entrepreneurs or they are going to what you would call safe businesses. They are not high-risk or high-return businesses that are going to have a huge impact on the world. That is because government agencies and these grant committees are, of course, risk averse. I can speak about the Minimum Viable Product [MVP] grant. I looked at this grant for my start-up. In a sense it presupposes that we want to start with an MVP. The MVP grant provides 50 per cent of matched funds up to \$25,000. That means we would then need to go out and find some funding. That is probably three to six months of work. That time is probably better spent talking to customers, understanding their problems and their experience so you can build a product that solves their problem, a product they think is amazing.

The other part of it is experienced investors probably are not going to fund an idea and product development. I mentioned that it presupposes that we want to start with an MVP. The whole premise of an MVP is, instead of building a large, full-featured product, you build something small and you put it out there and you learn—so there is this build, measure, learn loop. That concept has value because it stops people from building a full-featured product from the start. The challenge with that approach, though, is you are not actually sure you are solving a real customer problem. It is more important to talk to customers and understand their problems before you go building something.

Mr ADAM CROUCH: As someone who has had start-ups before, would you have been comfortable if the Government provided a lesser amount but took equity in your start-up? For instance, rather than have \$25,000 co-funding, there is a lesser amount but the Government has equity in your product and then after a period of time you pay the Government back—almost like an interest-free loan but the Government has that equity in your start-up. Is that something a young entrepreneur would be amenable to?

Mr LEUNG: I would be concerned that, once someone or some organisation is in your cap table, how is that going to affect the decisions you make as a business? What if you are building a business which, in a sense, cannibalises a government business. Is there going to be a conflict there? Is there going to be friction? When you are talking about equity funding, it has to be done in the right way. There are investors in the Australian ecosystem, but they are not what you would call experienced start-up investors. They might say, "I will give you \$100,000 for 50 per cent of your start-up." So you have three cofounders, then you have 16 per cent equity allocated to each cofounder. Once you have built that business, to grow further perhaps you need to take on further funding, so you have to bring on further investment. That means that each founder's equity share is diluted even further. There is not that understanding then because founders will lose motivation if they do not own enough of the company. It needs to be done the right way.

Mr CLAYTON BARR: In your submission there is a graph or an illustration, which is headed, "I am a young entrepreneur, and here's how you can help me."

Ms CAIRNDUFF: The infographic, yes.

Mr CLAYTON BARR: It states that 50 per cent said: "I need my contribution to be recognised." Can you explain that?

Ms CAIRNDUFF: It is about what Gary talked about, which is that for lots of young people setting out on an entrepreneurial path, it is not necessarily acknowledged or recognised as part of a contribution to the community. It is often seen as I am doing it for self, not that I am creating jobs. I am part of the economy; it is a valuable path in respect of the way that I am contributing to the broader economy and to the world more generally. Whereas when I worked at Ernst & Young or KPMG and I was a risk assessor, everybody can understand what that is. Part of it is about people not understanding it and then not recognising it.

Mr DAVID HARRIS: I acknowledge that Henry Kendall High School was one of the winners of the \$20 Boss, the change-makers. My primary school feeds into there.

Ms CAIRNDUFF: There are lots of schools. I was scrolling through them before when the people from the University of Newcastle were talking and I was thinking, "Yes, that school. Yes, that school." There are schools in which those things are building, which is fantastic.

Mr DAVID HARRIS: Your annual report states that one-third of young people are not getting the enterprise skills that they need to function in the world, let alone become entrepreneurs. From your research, are things improving, staying the same or going backwards in those terms?

Ms CAIRNDUFF: The OECD says Australia is going from great to good in respect of the way in which we educate young people. There is a lot of work being done in the New South Wales Education Department now. The Future Frontiers program is looking strongly at these issues. There is a lot of evidence that because of automation and because of the changes in the way that work is going to occur, the reliance on technical skills will

still be there, but those things we need in respect of enterprise skills will be much higher. The questions we will be answering will be more complicated and complex and, therefore, we need people with more sophisticated skills. At the moment, no, I do not think we are keeping up with the rate of change that is needed. If we think about the fact that young people who started kindergarten this year will graduate in 2030, the education system that we are putting them through is not fit for purpose for where jobs will be, or the evidence says where jobs will be at that time or where work will be.

Mr DAVID HARRIS: Mr Leung, from your point of view, did your interest and skill for developing projects, et cetera, come despite school or because of school?

Mr LEUNG: I think you would say both. School and university are valuable in the sense that they teach you to learn for yourself. I would not say that the skills I learnt directly through school helped me.

Ms CAIRNDUFF: They taught you to be a learner.

Mr DAVID HARRIS: Learning to learn—that is not such a bad thing. I want to ask about the IMPACT program.

Ms CAIRNDUFF: Yes, the Northern Territory one.

Mr DAVID HARRIS: Yes. Has it been looked into to bring that to New South Wales for Indigenous communities?

Ms CAIRNDUFF: No, that program was funded to work specifically in the Northern Territory. In fact, we are in the process of moving the model a bit, but we are working in Western Sydney schools with Innovation Nation around a particular Indigenous enterprise program. That has been funded by Citibank and we have 10 schools in Western Sydney with significant Indigenous populations that are running Innovation Nation, which is a scaled-up \$20 Boss. You get a \$1,000 start-up as part of your activity. Also, we have an Indigenous stream of young social pioneers through that program. The idea is really about saying how can we support the systems and structures around young Indigenous people to be preparing them for this future of work, rather than running a specific program in the way that IMPACT has been run in the Northern Territory.

Mr DAVID HARRIS: That is an important area because both at the Federal and State level they have ramped up procurement.

Ms CAIRNDUFF: Yes.

Mr DAVID HARRIS: But we know there are not enough businesses at the other end to deliver on those targets. Any school-based programs that empower our young Aboriginal people are important in respect of getting anywhere near those targets.

Ms CAIRNDUFF: Yes.

The CHAIR: I want to touch on the youth-led enterprise hubs.

Ms CAIRNDUFF: Launch clubs, yes.

The CHAIR: To put some context behind it, I live in a small town called Scone.

Ms CAIRNDUFF: Yes, I know Scone.

The CHAIR: It is a great place, is it not?

Ms CAIRNDUFF: It is.

The CHAIR: It has about 5,500 people. In my electorate there are more than 100 towns and villages. By its nature and distance, people can feel isolated, particularly when they do not have a car to drive because they are too young to drive or they do not have a vehicle, or there are no transport options, those sorts of things. How would the launch clubs help people in a place like Scone, Merriwa, Murrurundi or Quirindi?

Ms CAIRNDUFF: The Regional Australia Institute looked at those four groups of regional communities and looked at different times around having connected lifestyle regions and service and industry hubs and heartland regions. It is a challenge in terms of the way you do that kind of activity. Maybe you do not have a launch club in that activity or in that particular region because there is not enough capacity in the region to manage it in respect of the number of young people who are engaged or whatever, but you can have services and activities that happen through the natural hubs that happen in those communities—local councils, schools, health centres.

By finding whatever the key regional industry outputs are—I spent last week in Wagga for another activity. I was talking to people about meat processing. When you find those hub areas where they have got a particular industry that is driving the economy in that area, it is about finding where that connection can be, and

utilising services like local schools and local councils to establish something that is a merge-up of a slightly different model. You might have entrepreneurs coming out and being engaged for short periods and short courses. These things do not have to be forever in a day or engaged forever in a day in respect of young people having opportunities to test out their ideas for an enterprise, for example. If you were establishing something that would happen everywhere you would need to look at models that were more dispersed and that involved a visiting activity, and you would need to grow the capacity of the local council and the local school to have people there who have that kind of entrepreneurial mindset to be able to enthuse the people who are around them, and support the activity.

The YLab Associates have been working a lot with local councils in Victoria to relook at the way councils engage with their local young communities to re-engage their activities around things like entrepreneurship. Those different avenues rather than just necessarily having a hub. I think you have to have a certain population to make a hub viable. But a hub can operate once a week; it does not have to be every day. A hub can operate once a month if people know that they can come together at that time, in that place. You align that with other activity that is meaningful and relevant to that community.

The CHAIR: Do you think it is fair to say that success in these sorts of things is driven by the will rather than the construct of the idea?

Ms CAIRNDUFF: Probably, yes.

Mr LEUNG: I would agree with that. There is the will but there is also the resilience behind that. You are going to have so many failures when you start so there is the will to take those failures and keep going.

Ms CAIRNDUFF: It is moving that will from the individual into the systems that are meant to support them. So the will has to be in the systems that are supporting the people. The resilience has to be in the system so that the system is open to the diversity of the community, the diversity of the individual or the diversity of the idea, rather than the individual having continually to get up and be resilient.

Mr LEUNG: I would totally agree with that. I again emphasise the importance of communities. When you go through failure it is important that you have a community that you can talk to and they understand what you have been through and can commiserate with you. If you are isolated it is a lot harder.

The CHAIR: Yes, I have been there, done that. I have some experience in this field. I have asked enough questions.

Ms CAIRNDUFF: I would like to say one thing about our young social entrepreneurs program that runs for six months. We get young people from all over Australia—from all different regional areas—who come together. We run that program in different places so that it is not too far to travel for people from all over the place. It is done in blocks—in short time periods—and those networks of 60 young people who are engaged every year continue to be networked together for seven, eight or nine years after they have done the programs. Building that network of young people who have gone through a similar experience at a similar time—even if it means you have to leave your local community of, for example, Scone and come to Sydney for a weekend or a week, over a six-month period, subsidised—means that there are people around that country that they can call. That is one of the important things, as well.

Mr LEUNG: I was a guest facilitator at the Young Social Pioneers social enterprise incubator last year. We focus on short, intense sessions. They are intense for the purpose of getting young people to bond. I ran a program called Rejectionathon. Basically, young people got into a team, went out into Melbourne and did small things to get rejected—things like asking for a discount on coffee, asking for a free piece of cake or asking to count the cash in someone's wallet. These are only small things but they teach young people to embrace judgment, failure, uncertainty and discomfort. After they have done that exercise outside we bring them back in and we talk about the feelings of that rejection. How did you feel? What did you go through? That really gets the young people to bond. It really builds strong networks and strong friendships between them.

The CHAIR: I like it!

Mr GREG APLIN: I think some of us have had that experience as door-to-door salesmen.

The CHAIR: Try door-knocking: "You don't know me but will you vote for me?"

Mr GREG APLIN: I will make one observation. I cannot remember the name of an organisation that existed and received some funding; it was something like "Youth Enterprise Group". Twenty-five years ago, when it existed it was done in isolation. There was an overall body that ran it but there was voluntary participation. It was of novelty value for the media. There were many similarities to what you are talking about but the greatest change that I have seen is that it is now mainstream. It has been accepted. It has relationships, government

sponsorship and funding. The question arises: how do you also relate to the business community? Are you receiving from them the same enthusiasm to drive this forward? What is your relationship with the business community?

Ms CAIRNDUFF: FYA gets a considerable amount of corporate funding to run our programs, as well as philanthropic funding. We have some corporates and some government funding. So we have a combination of all of those things. We have ongoing conversations with different industry bodies about how to prepare young people for the future of work, and what to do. One of the things about \$20 Boss is that it is localised. It is about young people engaging with their local community around an issue that they consider important to them. It might be an environmental issue. They might say, "We're going to collect straws out of the river. Then we will resell them or get funding for that." They might collect the tin or whatever it is, but the young people set up their own social enterprises in their regions related to business and activity in their region. That is a really key part of \$20 Boss, because it is about connecting those young people with the business people who are in the area. That is a very powerful thing.

Mr GREG APLIN: That local connection is powerful. What we are investigating here is that connection to regional areas and the retention of young people in regional areas so that they can develop their ideas and employ people in the future. Thank you very much.

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.

Ms CAIRNDUFF: Yes, of course.

Mr LEUNG: Yes, of course.

(Witnesses withdrew)

(Luncheon adjournment)

CANIO FIERRAVANTI, Director, Government Relations, University of Wollongong, sworn and examined

OMAR KHALIFA, Chief Executive Officer, iAccelerate, University of Wollongong, affirmed and examined

The CHAIR: We note an apology from Mr Crouch for the afternoon, which was pre-agreed. I now welcome Mr Canio Fierravanti and Mr Omar Khalifa from the University of Wollongong. Thank you for appearing before the Committee today. Before we commence with questions, would either or both of you like to make a statement?

Mr KHALIFA: Yes, I would. I would also like to distribute some additional information to the Committee members and also for it to be put on the public record. Thank you for providing iAccelerate and the University of Wollongong the opportunity to address the Senate regarding the support of start-ups in the regional areas. Today, State and Federal governments are underestimating and underinvesting in the potential for regional areas to generate more higher-paid employment and helping the regions in their transitions to become powerhouses of innovation, entrepreneurship and economic activity. This proportionate focus on start-ups in urban centres and in already well-supported sectors illustrates an ongoing imbalance and needs urgent rectification.

The fact that right now in 2018 we cannot even get mobile phone access on a commuter train between Sydney and Wollongong only typifies the problem and the challenges that regional areas face. Regions are ready to address these challenges. Now we need your help to find the means. I am here as the CEO of iAccelerate, a part of the University of Wollongong and Australia's leading accelerator and incubator for start-ups. That we can claim this title coming from Wollongong may surprise you, as it has many. For those not familiar, I will take a moment to summarise iAccelerate's most recent economic impact data. Some of this will be in front of you with the charts.

Since 2012, we have assisted 127 start-ups; 57 are currently in residence at iAccelerate. The start-ups have been responsible for 386 new jobs. We raised the number of female start-up founders to over 40 per cent—well over twice the national average. In 2017, iAccelerate start-ups delivered \$27 million in sales, \$5.7 million in payroll and attracted \$8.6 million in investments. Four of our start-ups that have been created over the last 18 months are by undergraduates exposed to our acceleration program in their third year of undergraduate studies. More students from other faculties are joined to teach students about entrepreneurship as an alternative path for an additional skill. We also have a community innovation hub with teams from Wollongong City Council, and the Illawarra Retirement Trust [IRT] are now in residence as well.

We host arts groups and those dealing with refugees, disabilities and local food providers. We are increasingly recognised as a leader in increasing regional needs and are nominating to be designated a regional hub as part of the New South Wales Government's Local Innovation Network Program. Our ecosystem, or network, extends far beyond our region and increasingly includes international mentors, foreign businesses and investors and links to Austrade landing pads and other accelerators. In June, four of our leading businesses will travel to Ireland, Germany, the UK and Portugal, seeking collaboration, investment and customers. More will go to Hong Kong in July; others have recently been to the USA, Africa and the Middle East.

Our start-ups are not dominated by high tech, digitech or fintech; they are exciting new businesses that use tech to solve local, regional and international challenges. From logistics to 3D printers for schools, growing algae for food and pharmaceuticals to safety trackers for field workers, from apps supporting caregivers to a new generation of flat-pack granny flats, from renewable energy control systems to robotic software, our start-ups are winning awards, signing deals and hiring local employees. Of course not all will be successful, but the learnings will feed future rounds of efforts and embed a new capability into regional areas.

As the university's basic accelerator we do far more than most accelerators by bringing more to the table, including direct access to researchers, a pool of students of all disciplines, access to a vast international network of university accelerators and researchers, exposure to a network of successful alumni as mentors and even investors, and allowance for longer-term time frames for incubating and achieving success. We focus on jobs and community, not only investor wealth creation—and this is a point I hope we will come back to; we do concentrate on and focus on creating jobs, and that is a particular focus for iAccelerate, and the support of non-traditional start-ups, including social enterprises that are dealing with pressing issues in the community, especially in health, education and the environment.

Fully activated regionally focused centres like ours can provide the missing link between government, business, education and community sectors. We can help ensure Australia's research and talent goes to work to create jobs in Port Kembla, Bega, Moruya, Nowra, Goulburn and the Southern Highlands. I am prepared to also offer a specific focus on the issues put forward by the panel in the inquiry now or at a later time. For the effectiveness of State Government policies and programs that need our support in start-ups in regional areas I

will summarise our response as this: Too little, too slow. The Government should step up to rebalance the priorities of start-up support. Currently, the Government is offering \$300,000 for each of seven regional hubs to support efforts in the regions for a total of just over \$2 million for the entire State. That is great but not nearly enough. In somewhat stark contrast, the Government recently spent \$35 million on the Sydney Startup Hub here alone in Sydney.

Government policy needs to be better focused on creating a breath of new businesses that focus on job creation. Too many programs aim at supporting incumbent large businesses that commit little and, instead, shift development costs to the small businesses. In the absence of a well-developed investor community, government can play a vital role in priming the entrepreneurial pump and leveraging educational institutions to more directly transfer research, knowledge and capability to prepare more regional entrepreneurs and to obtain the skills, capability and investments necessary to build their businesses and to employ people in the regions.

On the second point of the inquiry, possible new initiatives and reforms to reduce failures and capitalise on the advantages associated with regional start-ups, I list these. First, properly funded development of more regional satellite accelerate incubator centres and virtual centres linked to regional hubs for access to resources they cannot develop alone. Often time we put a pretty high hurdle rate on people trying to seek investment in creating these hubs, including already having a ready-made network of international connections and perhaps a lot of money on hand to be able to match, and these issues can be real stumbling blocks. Incentivise growth in companies to locate and develop more of their capabilities in the regions and create higher quality jobs and reduce flight to the urban centres. Our best talent, often times, is attracted, as we know, into the urban areas because that is where the best paying jobs are. Some of our best international companies set up in urban areas instead of being encouraged to actually set up in areas like ours and in the regions.

Have government procurement actively engage and target a proportion of spending with start-up products and services. Utilise the strengths of regional areas, including existing businesses and expertise for repurposing of facilities—for instance, port locations like ours could be easily used as plastic recycling centres; when we talk about ocean plastics and the issues with that, we already have capabilities present in Wollongong—for new food resources, social services, targeted education and Indigenous entrepreneurship through policy to facilitate the opportunity investment in start-ups, including through improved equity crowdfunding options. Lastly, create and help promote and invest in the New South Wales community seed fund to activate social enterprise that helps to solve today's pressing and costly societal issues—I am almost done.

Policies and programs in other jurisdictions was point number three in the inquiry. We have just two points here. Facilitate the development of national and international networks of accelerators and incubators, including promoting regional landing pads for foreign companies looking to create national or regional centres. There is no reason why more companies could not find their home base in the regional centres rather than gravitating to urban centres. Shift away from programs that aim at exporting entrepreneurial talent to other countries, and I would love to do the same in reverse. There have been some recent examples—we can talk about that later—where there has almost been a disincentive for people to stay in place; rather, we encourage them to go elsewhere to create their businesses.

Other matters—there are only two here—considerations of the role that centres such as Wollongong and Newcastle play in supporting regional areas and the confusion of not being considered by government as a part of the regional New South Wales landscape. This constant confusion does hinder our ability sometimes to exercise our capabilities to support the regions when we ourselves are sometimes omitted from being in the region. Look at entrepreneurship accelerators and incubators as a means to fulfil a number of government top priorities and job creation, community engagement and economic vitality. To also unburden urban congestion and cost of living by ensuring that good job stay will go to the regions. There is a low- cost investment in creating capability for regions to be more self-sustaining and more resilient to the current challenges or unforeseen ones. Thank you.

The CHAIR: Mr Fierravanti, would you like to make a brief opening statement?

Mr FIERRAVANTI: I have nothing to add.

The CHAIR: How was the iAccelerator incubator program developed and how does it support and encourage regional start-ups, particularly those in the Illawarra and the South Coast? Does the iAccelerate program lead to start-ups moving to the regions from Sydney and elsewhere?

Mr KHALIFA: iAccelerate kicked off probably in about 2012 effectively as a start-up accelerator and incubator. Those two being, of course, distinct but linked. An accelerator really is usually in the initial phase of getting entrepreneurs ready to launch their businesses and to acquire the skills, training and perhaps some financing to get into the next stage. For us that means usually the first six months of their time with us is in the acceleration phase. At that point, if they pass the parameters and they are still a going concern, they move

potentially into the incubation phase. We started off as a pretty small facility, with actually shared facilities, and increasingly gained more space as the demand grew, mostly from members of the community. Very little came out of the university, which is one of the misconceptions that we were very closely tied to people coming out of the university. It was actually community-driven originally.

Entrepreneurs in the regional areas came to us to gain those skills and to sometimes repurpose their companies for a new direction. Two years ago a new facility was created, which was very generously supported by funds from the New South Wales Government. It is a special purpose-built facility with more than 290 seats, which allows us to incubate 60 to 80 start-ups at any one time. We are now finding entrepreneurs who are coming from across the region and some from other parts of the region—actually we have had one company relocate from the Central Coast temporarily to come and take advantage of our capabilities and the educational system. The Community will be happy to know that they will be returning to the Central Coast. We are creating this network that allows a lot of free flow of companies to create capabilities wherever they can but our main objective is that they will leave jobs in place in the area. That is what we are trying to achieve. We are trying to encourage those companies to provide and sustain job creation. I am sorry, what was your second point?

The CHAIR: Has the program lead to start-ups moving to the regions?

Mr KHALIFA: An international business decided to create its local business using an accelerator as a way to ensure that what they were developing was in tune with the Australian market. We find this to be a very interesting, potentially new model for how we engage with other businesses because that also means they will create more jobs and more opportunity for development in their capability in the company, rather than exporting it from where they come from.

Mr GREG APLIN: I commend the University of Wollongong for being a very successful start-up in its own right. It was one and it has grown to massive proportions. In fact, in that sense it attracts students from all over, including our region. The problem of what we might call the "brain drain" often occurs when people do move—in this case from one regional area to a much larger regional area. You mentioned a couple of instances of government support but I am looking to see what sort of government involvement is helpful for universities to encourage regional innovation. Could you be a little bit more expansive?

Mr KHALIFA: There are a number of ways. The one that we are most actively developing now, and we hope with the assistance of funding as a regional hub, would be to actually create essentially satellite hubs for innovation and entrepreneurship throughout the region. I think I may have made mention that we are already working with Bega and we have an application that is in currently with the Federal Government, which we hope today will be announced. There are others with the Southern Highlands. We have also been in discussions with people in Jindabyne, Moruya, Nowra and Goulburn. They are all looking to attach themselves onto the program that we have helped to create. If we can create the network that actually helps reinforce those capabilities—we invent it once and are then able to leverage across the whole region—it makes a lot of sense. We do not want to own the facilities across the region but we will certainly put an angle to facilitate that.

Sometimes when we do have a university centre, as we do in Bega, but in other areas we are happy to facilitate a capability that we would call powered by iAccelerate, where we can take a lot of the learnings and the capabilities that we have to be able to provide them those teachings, those learnings, those classes that we teach entrepreneurs and to export those and make them widely available across the region so many more can take advantage of that. We also obviously have the connections internationally and we also have the networks within the researchers. We have an amazing research base within the University of Wollongong and that allows entrepreneurs to tap into some of the best thinking going on and to align themselves with some of that or vice versa for some of the researchers to align themselves with some of the needs of the new evolving businesses, which we think is a particularly exciting opportunity and we are already seeing that happening today.

Mr GREG APLIN: On page seven of your submission you suggest that the time frames for Government programs for start-ups in regional areas should be longer. Can you say why regional start-ups would require more time?

Mr KHALIFA: Yes. A lot of times if there is not already a foundation for businesses in an area, they take longer to actually get themselves established to provide connections and provide the capability that they will need to address the needs of either local businesses or corporates that may be around them, or in fact for Government. We cannot ever be predictive of exactly how long any start-up that comes to us will take. We have some that will be done in three or six months and will have created their minimal viable products that they have actually launched into the marketplace and have found customers.

We have others that will take two or three years to get to the point where they can actually fully scale up their businesses. We have one logistics company currently that actually came out of Port Kembla. They learned

the hard way about what it took and how awkward it was for companies that were doing business with the port to provide the sort of support systems for the delivery and for access to the port by people using the trucks and so forth to move goods around. They decided they could do it better so they have come in and have actually been working for the last two years to develop a whole new capability, which now is being recognised. They won a national award on it. We think it will be an international player in logistics.

They came from homegrown needs, but it has taken some time. They needed to do a lot of development work, hire people and obviously find the financing. Those can take longer, obviously, in the regional areas. We do not yet have the support network of investors, in particular. We know about people in hightech and fintech and so forth, and they can find investors easily. People in regional areas who are trying to solve local problems or regional problems, or even national problems, may not have access to those same funding sources.

Mr GREG APLIN: Just what are those funding sources for start-ups? Can you give us some examples?

Mr KHALIFA: Yes. Some funds, obviously, are received directly from family or themselves. We have had start-ups who have sold their car to get themselves through the first phase of start-up. We have had others who have tapped into Government grants, whether at Federal or State level. We have had still others who immediately go to find investors. They might have private investors, or some of them might be through Angel networks, as you know. The Sydney Angels are a well-known group of Angel investors. But predominately they focus on Sydney-born start-ups. We would love to have an Illawarra Angels network. I am sure you would like to have one on the Central Coast as well because it tends to be that Angels or people who are mostly investing companies would like to have them in closer proximity so that they can be engaged with them.

This is a real challenge for those in more foreign lands across the State where they do not have necessarily that pool. Also, the people who may have the money locally do not have the skills to know how to invest in those companies. We think this is an opportunity for us to help provide that education and that linkage between an investor community and the start-up community. These are certainly areas that could be used. We think the Government could help to prime a couple of funds that would help as well, and that would include a social enterprise fund. For those who are working on really intractable problems that often times the Government is facing—and that could be in all areas of the community, including employment, Indigenous services and increasingly health services—where it is not wealth creation that is the primary motivation. It could be a real cost reduction for Government and for the society and the community at large.

These are harder to come by. Australia does not have a mindset, generally, of sourcing money for such companies. Those are more evolved in other countries, including the United States [US] where philanthropists fill the gap. We know about the Bill & Melinda Gates Foundation, for instance, who have stepped in and said they are all about what are the opportunities for solving real problems. They have put money to actually help do that. We would like to see more of that. The New South Wales Government has started on that track in a few areas. We think the Government could play a bigger role to help prime that pump and to ensure that more people step forward and actually help to solve those problems. By the way, those are the areas that more women are also going to be stepping into. These are often areas that are under recognized and underfunded in the community—education and health in particular but also some of the environmental challenges that local communities may have.

Mr GREG APLIN: Mr Chairman, I might let my colleagues take that up as it does lead to some other questions which, if they are not covered, I will follow up later.

Mr FIERRAVANTI: I just want to add something to your earlier point about the New South Wales Government funding. I just wanted to add that the New South Wales Government, through the Illawarra Restart fund, which was essentially the proceeds from the lease of Port Kembla funded to an amount of \$16.5 million the construction of the iAccelerate Centre, which now houses iAccelerate. That was officially opened in July 2016.

Mr CLAYTON BARR: In terms of funding, a note in your submission you referred to a seed fund to assist start-ups in their initial journey. What is the seed fund? Where does the funding come from for the seed fund?

Mr KHALIFA: We have a \$10 million seed fund, which is meant to be spent over five years on start-ups. The fund is actually administered by Artesian. It is a private enterprise that creates a lot of segment-specific funds. They manage the fund. We apply the fund, effectively. Two million dollars of that \$10 million was provided by the University of Wollongong. The rest of it was primarily sourced from retirement funds, which is an interesting view of how some of the circular aspects of investment into the future can combine. As a mix, the provision of \$10 million is to help us ensure that we create enough start-up companies where we are sure to see success among some. That is how many seed funds are placed. Not everyone will succeed, obviously. The ability to invest in different kinds of businesses is facilitated through seed. However, it does reach its limits when we talk

about social enterprises where normal returns may not be the primary objective. This is where we think more assistance could be used.

Mr CLAYTON BARR: If the \$10 million creates a seed and some of it is from retirement funds, don't retirement funds have a requirement to try to drive a return on their investment?

Mr KHALIFA: Correct.

Mr CLAYTON BARR: That then means that if you offer seed funding, you must be taking something like a stake or an equity in each of the companies that you seed.

Mr KHALIFA: Correct. Essentially, the companies that come through the iAccelerate program, if they effectively graduate from the program that means they have gone through the program, which lasts about four months. At the six-month mark that they are able to ask for the seed fund. It is not forced upon them. They can choose not to access the seed fund. They can get \$35,000 or \$30,000 for a 6 per cent stake of the company. That is how the fun begins to develop its ability to see a return. That funding can then go into a second or third round as those companies develop. Fewer and fewer companies of course will be able to access the larger amounts. These will come in up to \$190,000 and \$200,000, and then they can actually match even further with other funds into higher amounts. This is where the leveraging opportunities really begin to develop. There can be a gap between \$300,000 or \$400,000 and \$1 million when some businesses really need that kick. That is where we will try to find other funds that will actually come in there as well to provide some of that additional capability. This is also where we can see the venture capitalists come in, or Sydney Angels would come in perhaps in that second or third round of funding, to begin to match up against those and actually create additional opportunities for the start-ups to gather the funding that they require.

Mr CLAYTON BARR: Is the \$30,000 or \$35,000 and the 6 per cent unsecured? There is no requirement for that to be dollar-for-dollar matched?

Mr KHALIFA: That is correct.

Mr CLAYTON BARR: If \$30,000 or \$35,000 or 6 per cent is \$190,000 or \$200,000 that you mentioned, is that roughly 36 per cent?

Mr KHALIFA: Yes. It is approximately the same; but, depending on the status of the company at that time, they could ask for a renegotiation on their valuation. That initial \$30,000 gives them an instant valuation. For many companies, that is the first time they have ever been valued. It gives them usually a bit of a boost to create more value and to then attract more financing.

Mr CLAYTON BARR: In essence, it kind of values them at about \$1 million, does it not, straight up?

Mr KHALIFA: Correct.

Mr CLAYTON BARR: If the seed funding has a stake in the company, do the managers of the seed fund seek to influence the company in what it is doing, where it is going and how it is tackling its problems?

Mr KHALIFA: They are more interested in actually looking at where the company is at mostly on its financial basis and where it is in the process of developing products and capabilities. The idea is that they are not so much influenced in the day-to-day decisions. That is left up to mentors and even for us at iAccelerate through our ability to help them to guide the process. It is mostly hands off, but when it comes to those periods where more money is applied for, they come in, have a look, and make sure that they are happy with that. We cannot sign off on that ourselves. The Artesian managers in this case use their own view of how companies should be evolving and they get to make those decisions based on the return expectations as well as the risk.

Mr CLAYTON BARR: Similar to the seed fund, if governments were going to make moneys available to assist start-ups should governments expect, in return for that, equity in the company?

Mr KHALIFA: It depends what the point of the investment is. If it is a social enterprise, it may be the government will find that the value will be derived by potential lowering of costs in the health area or in education. It may be solving problems that the government is now trying to solve other ways where it is more expensive or they have run out of ideas on how to do it. There are currently a couple of examples of that with repeat offenders in domestic violence and under employment of young people. The government thing has been quite interestingly forthcoming in trying to define new ways of solving real problems that may not be easily solved. In that case the return is not basically a return directly on investment but on a lowering of costs.

It depends on the formula and what the outcome is that is derived. That is why we say venture capitalists and others have a monetary reward incentive but that is not the only way to do it. That is why our accelerator is bit of a different beast than others. We will look at other ways, including return potentially on jobs, where it may

not make a huge financial return but may employ people in the local community and that is what we have been asked by the New South Wales Government to ensure that we are contributing to. We have a target of 500 jobs being created by iAccelerate and we are well on track to do that. We have other measures that show we have to be more community minded about our approach.

Mr CLAYTON BARR: You mentioned earlier applications to secure funds to set up additional hubs along the South Coast network.

Mr KHALIFA: Yes.

Mr CLAYTON BARR: Is that a State or Federal funding source you are seeking?

Mr KHALIFA: It is both. We are seeking to have both Federal and State moneys to help contribute to the development of those. Each has different requirements and the programs currently in place will only fund certain things. Some overlap and sometimes they work really nicely together and sometimes they leave further gaps that still have to be filled by potentially local communities or other funds. We are hoping that they get better and better coordinated, that is Federal and State, and the gaps are reduced and these help reinforce each other and ensure that the State in particular is getting the coverage they need in areas they feel are most in need of further development in the entrepreneurial sense.

Mr CLAYTON BARR: During your earlier testimony you mentioned a number of villages, towns, cities and suburbs that you would target and identify. In your submission you talked about the Far South Coast and Southern Highlands. If you were going to have access to enough money to set up three hubs, where would you set them up and on what grounds do you make a decision like that?

Mr KHALIFA: That is a great question. We started this whole process when we looked at regional areas and we commissioned someone to do a study of where the hubs already were. It is best to go and find out what is already going on as a starting point. We will gladly make that report available to you. We identified those hubs that had naturally begun. They were more co-working areas, but had begun to think about how to mentor and create additional capabilities to train themselves up. We looked at them and went out to discuss with each of the areas where they were and where they were in the planning for creating more capability.

The ones that responded first and were the best answers are the ones that we began to work with. They were clearly identified at the time as Bega and the Southern Highlands. Both already had teams that were in place and they were beginning to work towards creating this capability. We did talk to other centres. We know we can only go as fast as the capability in those centres. We are not seeking to own these or instil anything on anyone. We are looking for a community to be ready and receptive and capable of running such capabilities. This is why even Jindabyne may not be the first place you think of, but they have identified a real need in a place that is not serviced very well. That could be an interesting place. So could Goulburn, Nowra and Moruya.

I was invited to go to Moruya by the business chamber who asked us to come and talk about the program we had. We filled the room with 60 businesses wanting to figure out how they could get involved in such a program. We had companies there who were in oyster farming, companies making camper trailers and others looking to figure out how to expand their capabilities there, their network. Entrepreneurship can come in many flavours. We need to find those places that are activated, that makes it easier. We understand that once this gets started we think more will see it is an opportunity for them to gather capability in their regions.

Many of them are looking for resiliency and they are looking to help preserve jobs for the young people who find there is no alternative to finding good jobs in the area and end up in the urban centres adding to crowding and overpricing. The idea is to find the centres that can create the value locally and many of them want to. We have one company working in algae development, this is very interesting actually, one of the most fascinating companies we have. They are in Bomaderry and they are using the ethanol plants to create the feedstock for their algae, believe it or not.

They are doing many different interesting thing. They are not only taking a waste product and turning into a valuable product, they are fixing carbon and creating a renewable life cycle for the ethanol plant. They are now creating opportunities for foods, new foods, especially into the Asian market, but elsewhere as well. With advanced manufacturing techniques and working with researchers in Wollongong they are looking at wound dressings and how to use algae to help create better wound healing. They are working on research with algae. You will never look at algae the same way.

Mr CLAYTON BARR: Algae and leeches, bring it on. I want to finish up, as others have questions. Can I ask about the Sydney School of Entrepreneurship. You are more mature in terms of how much longer you have been around than the SSE. You are partners of the SSE?

Mr KHALIFA: We are linked, yes.

Mr CLAYTON BARR: You are more regional based and it is based in the city. How do you find their ability to service your regional based community given their city location?

Mr KHALIFA: Hardly none.

Mr CLAYTON BARR: You are continuing to do what you guys are doing. As I said you are more mature and ahead of the curve by four or five years, they have only recently been funded.

Mr KHALIFA: Yes. The funding remains an issue but I think the hub has been created, as I said with a big price tag for the one that was created here. It has created a base for those entrepreneurs who need to come into the city to activate networks here. It is more useful to us that we have facilities like that for entrepreneurs to take advantage of from wherever they are in New South Wales. That is great. Whether or not city-based entrepreneurship centres can help much in the regions, I have my doubts. We understand the regions better, we deal with the people there and understand the issues there and often times urban focussed entrepreneurship centres begin to focus on things that are much more distant to what is necessary. Even though we are at the top of a large region our focus is firmly in that direction and that makes us more capable of delivering those regional needs and we are more in tune with that. I think it is back to the decentralisation but not losing scale. If we can scale up and provide almost all the capabilities but understanding the needs of the regional centres I think that is a much better return than trying to concentrate it into an urban area.

Mr DAVID HARRIS: I want to explore how you choose people or people choose you, is it a bit both ways?

Mr KHALIFA: We work almost on a university timescale. We have a trimester, so three times a year we bring on new entrepreneurs, we actually open up for applications. Anybody can apply. We then go through a sorting of those. Last time we had 25 applicants. We then interviewed about 18 of those and about 10 or 11 came in on that cohort. We have our own filtering process. Even some who come to the door with their ideas, if we do not think they have totally formulated the idea but we believe they have an entrepreneurial spirit that we can see and maybe the genesis of an idea, we offer them free access to our initial program so they can get a better idea on how to come back and reapply. We have had a number of them do that. This is some way we can actually add to and development entrepreneurship across the region, even if they are not all necessarily going to be successful within the program.

Mr DAVID HARRIS: Companies such as Rooland were already in existence. The founder of Rooland had 25 years of experience in the industry and has come with the idea for RooCreate. Why would they choose a facility like yours? Is it because of the hot housing? What are the other advantages of having everyone under the same roof?

Mr KHALIFA: That is a great question. About 50 per cent of the value is in the hot housing, working with other entrepreneurs and having access to not only the facility but also the capabilities around it, for example the students. Rooland, for example, hires students from the university to work part time. Access to that can be pretty special to a company that is just starting out. They also have links to researchers who have an understanding of how they can create their new business. Rooland is one of the businesses that has pivoted into a new area. For them, it was looking at how to break away from what they were doing and begin to create a new business that had a different—

Mr DAVID HARRIS: Get into manufacturing and locating—

Mr KHALIFA: Yes. They knew they had to create better skills and a understanding of how they would do that, so they came in to learn those skills. For some business people it is interesting because you think, "Oh, they've been in business for 20 years", but then you realise that they do not even know how they started their business—they may have fallen into it or it was handed to them. Sometimes they really need to go back to square one. We have had companies with 15 people come in holus-bolus—one is coming in from Kiama—saying, "You know what? We need to aim for a different direction. I want access to researchers, I want access to students and I want to be in a place where all of that is really accessible." They came in there and have completely changed where they were pointing their business and are now going really well.

Mr DAVID HARRIS: Have they launched recently?

Mr KHALIFA: Yes.

Mr DAVID HARRIS: What happens to them now?

Mr KHALIFA: We give them time to get onto their feet; we do not kick them out of the door right away. They are a bit like kids at home. But we do begin to set a time limit on how long they can be there. It can be a really comfortable environment to be in, to be honest. It is a nice facility and there are a lot of people around

you who help you through the day to day. It can be something they really get use to. But we do expect the people there to be developing their company. We check in with every company every six months. We talk to them a lot more than that, but every six months we assess whether or not they need to continue to be there. If they have exhausted what we can offer we ask them to think about finding a new location. We hope they will find something local, which is the next challenge for a lot of us in the regional areas because the moment that we kick them out we do not want them moving to Sydney, Melbourne or somewhere else. We want them to stay there, so the follow on is really important to create the facilities in the region where they will want to stay and will begin to create that hot house outside of the accelerator. We want them to create an incubator 2.0 so they stay there and create that capability and maturity that we need in our area.

Mr DAVID HARRIS: I think your figures said there were 127 start-ups. Are they only the successful ones?

Mr KHALIFA: That is all of them.

Mr DAVID HARRIS: What is the fail rate or the learning rate?

Mr KHALIFA: It is hard to know because on the time scale that we are working on some of them are out, but we do not know how long they will be successful for. I am going to approximate that about half of them are ongoing concerns. The other half are either pivoting again to a different business model or have gone out to rethink and are looking to come back. It is an evolutionary thing. Some people say an 80 to 90 per cent failure rate is not abnormal. We think ours will be higher because many of the companies are addressing markets that are in higher need and are not being addressed by anybody else. The regional focus gives them an advantage in a way because there are not as many competitors in that market.

Mr DAVID HARRIS: From your perspective, if a model such as yours was to be transferred to other places, is the cocooning effect more likely to encourage success?

Mr KHALIFA: Absolutely. Almost every other university has come by our doors to look at how we are doing what we are doing. That is because they understand that the incubation is as important as the acceleration. With many city accelerators, you are in and you are out—there is a pretty short timeframe. Some of the best work gets done in the incubation phase. It is when the company has the chance to really prove itself in an environment where it still has access to the facilities as well as the resources that only we can provide. By the way, they also add learnings to the next generation. We cannot underestimate that. Fifty per cent of the value is that they can listen to someone else who was just there. In my remarks—and I am sorry, it probably got lost in the many remarks that I made—I alluded to the fact that we now have in residence two teams from the Wollongong City Council that want to face some big problems that they have that they cannot face within the council environment.

Those two council teams are now also accessible to the businesses there. As of last week, they had written three contracts up with the start-ups to fix the immediate value and implement it. This is a whole way of thinking. The council is reinforcing the local businesses to create new capabilities that advance both. It is the same thing with some of the other Illawarra Retirement Trust, which is looking for new ways to address the market, especially in aged care. By them putting in a team that can rethink how they address a market need is another way to reinforce the sense that this is more than just an accelerator or incubator. It becomes a real community and regional asset that can help put people together and plug some of the gaps that they are finding.

Mr DAVID HARRIS: I am very impressed by what I have seen.

The CHAIR: Have you heard of the Office of Social Impact Investment in New South Wales? A lot of discussion and evidence has been received by the Committee around social enterprises, a lack of funding and things like that.

Mr KHALIFA: I do not think I have.

The CHAIR: Whether you want to do this or not is up to you, but I would think that it might be worthwhile having a look at it to see if what you are saying about your experience can be at least partially met by the purpose of what this office is all about. It is a New South Wales Government office.

Mr KHALIFA: That is interesting. Thank you for that. We do run the Impact Conference every year—last year's conference was hugely well attended—where we highlight the businesses that are doing some of these things. Many of them are in New South Wales and many of them are doing it on their own. They are addressing those needs. We struggle with them and we talk to many of the others who are working in this area who struggle to find people who are willing to finance and support those organisations. It usually comes to where the money will come from to help some of the organisations that are about social good. I am not sure if that organisation has

the funding to do exactly that but what we are all in need of is some real focus there. A significant number of dollars could actually help make a difference across the State.

The CHAIR: Social impact bonds and things like that. It would be worthwhile having a look.

Mr KHALIFA: We will have look.

The CHAIR: I thank you both very much 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?

Mr KHALIFA: Yes.

Mr FIERRAVANTI: Thank you for the opportunity to appear. If there was cause, we would be delighted to host the Committee to visit iAccelerate. It would be worthwhile.

Mr DAVID HARRIS: That whole centre around there is fantastic. My niece is studying there so I have come down a few times.

Mr KHALIFA: Please do come by. We would be very pleased to show you around.

(The witnesses withdrew)

DI SOMERVILLE, Chief Executive Officer and Founder, RGTC Group and Regional Pitchfest, before the Committee via teleconference, affirmed and examined

SIMONE EYLES, Chief Executive and Co-founder, 365Cups and Working Spaces HQ, before the Committee via teleconference, affirmed and examined

The CHAIR: Thank you for appearing before the Committee today via teleconference. I note that this hearing is being webcast and transcribed and there is a gallery present for media or members of the public. Before we proceed, do either of you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

Ms SOMERVILLE: No.

Ms EYLES: No.

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

Ms SOMERVILLE: Sure. I will go. Based on what the hearing is looking into and has looked into, there have been a few progressions since we spoke, notably being the Local Innovation Network program being put forward by Jobs for NSW. That is an extremely positive project and program. We are looking forward to seeing the results of the application we are putting forward this Friday. In terms of the effectiveness of the policy and programs, it is very positive to see government look at and take a step towards education of the ecosystem rather than directly to the start-up.

The CHAIR: Thank you. Ms Eyles, would you like to make a statement?

Ms EYLES: Following on from what Ms Somerville has said, this is a good step to have this conversation and, yes, there has been some progress. We have got over that hump of nothing happening to something happening. I am really happy to see some movement in the space. People coming direct to the region with this inquiry and with the Local Innovation Network under Jobs for NSW funding, which will fund seven regional centres across the State, is a very promising sign for what is coming up.

The CHAIR: Very good. Thank you.

Mr GREG APLIN: Ms Eyles, we were in your region. We did not contact you on that occasion but we did talk to Ms Somerville. Can you tell us a little about your experience in creating a start-up incubator? How did you organise funding for that and how did the incubator pilot impact on regional start-ups?

Ms EYLES: Sure. Ms Somerville and I co-founded the incubator. It was probably a two-pronged approach. We were just getting inundated with requests for help. Instead of meeting 30 people for coffee we thought we could devise a program, an incubator, and then we could funnel everyone into that incubator. We had a lot of trouble getting funding. We received \$10,000 after our first cohort had finished—probably three weeks after our cohort had finished. We had costed our incubator out at about \$2,600 per person to do the incubator, so we average about eight people per cohort.

We tried locally with the funding—off the top of my head I am not sure what it was called—to get auspiced by a local charity and get supported by our local council. We worked a lot with the mayor, who was on board. But our proposal never made it to the councillors. No-one was really interested in supporting it. So we did our first program—we got funding post it. Due to the market demand we ran another program at a loss. Now we have run another two programs in collaboration with Charles Sturt University [CSU] under the Boosting Business Innovation Program (BBIP) funding, which I believe is State funding as well. We are about to launch in a couple of weeks another two incubators running in parallel in Wagga, one with CSU under the BBIP funding. We have actually been engaged by Springboard Australia to run their early-stage female tech founders E3 program.

Mr GREG APLIN: Staying on that funding topic, in your submission you indicated that Jobs for NSW Minimum Viable Product grants are problematic as they require start-ups to prove they have cash in the bank. What has been your experience with the MVP program and how could it be improved?

Ms EYLES: The MVP program has changed a lot again. I believe the initial guidelines were cash in the bank and, again, a retrospective payment, so you have to inject your own funds, wherever they come from, to produce your minimum viable product and then you are paid back. That was the initial—I know that has changed. The whole point of an MVP is it is quite risky: You have an idea, you do not know if it will work, you do not know if the market will adopt it. People do not usually have the funding to create the MVP, so the MVP funded de-risks it for the founder to create that product. Initially it was \$10,000 and I believe it is now \$25,000. It was

very difficult. I had a lot of people in the regions contacting me because they would submit an expression of interest, speak to someone and then it would go to the next stage and then it would be rejected.

Ella from AgDraft had that issue. She had initial discussions, put her expression of interest in, it got approved to the next stage and then it was rejected. It was very frustrating for people in the regions because you got to the next stage and then it was rejected—it should maybe have been rejected at the first stage. Again, I believe they have changed it, but it was very difficult. Because there is no-one in the regions to support the regions and act as go-between and get it ready for the expression of interest and make sure they are meeting the criteria before putting in all that work to get it, there is probably a step or two missing there.

Mr GREG APLIN: Are you referring to some form of mentor within the hub system to assist with the report writing or application writing? Is that the sort of assistance you are looking for there?

Ms EYLES: Yes, I think so. And probably a very clear understanding. We say "start-up"—what does that mean? And with the MVP program we have this debate all the time. Yes, a start-up should be globally focused, but when you are starting you do not even know if anyone will ever use it. What the founder envisages creating and what the department wants to fund are two very different things, and no-one is having that conversation. If the department wants to fund global tech products they need to say, "We are accepting applications from global, scalable technology products, not a product or a service that is a niche for a certain area."

Mr GREG APLIN: What has been your experience in regional areas with private funding from local businesses?

Ms EYLES: Non-existent. It is too risky and there is probably not enough traction or any really big winners to highlight, showcase or make a case study of. There is a lot of high net wealth in the region. I do not know how to tap into that. We have these legacies—third or fourth generation families. I just do not think that people think investing in a start-up is something for them yet—not only for them; we are probably not out there. I am not sure who goes out there proactively to have that conversation.

Mr GREG APLIN: Thanks. I might ask more questions later but I will hand over to my colleagues now.

Mr CLAYTON BARR: Ladies, thank you for your time today; I know you are very busy. Ms Eyles, thank you for your submission; it was one of my favourites to read. I love the frankness of what you contributed and that you called it for what it is without putting any fancy words around it. Please continue in that vein. There has been a fair bit of investment in this space. At the moment we have the Sydney School of Entrepreneurship with \$35 million and the Sydney Startup Hub with \$35 million, and the MVP programs, Jobs for NSW, concepts in innovation and all that stuff. There is a fair bit of money in this space. In a nutshell, can you summarise a model that you would like to see on the table tomorrow?

Ms EYLES: Yes: Fund the regions directly. Following on from that, thanks for appreciating my document. I wrote it very late at night and I was a bit tired. Last week, the regional facilitators were listed—this is a Federal program—and the New South Wales-Queensland regional facilitator lives in Terrigal and works out of Sydney. Terrigal is 88 kilometres from Sydney. I do not know how someone from Terrigal can represent regional and rural Queensland and New South Wales. Fund the regions directly. The problem I find, especially with the Sydney School of Entrepreneurship, which is great, but it is in Sydney. New South Wales does not stop within a 15 kilometre radius of Sydney. What I am finding now—I can see a shift, but it still boils my blood—and they do this through the Business Connect program and BEC, if the Government is funding Sydney consultants to blow into the region to deliver a workshop, it is sending two messages. It says, "We do not believe you are capable of doing this." We have 10 or 15 people in every region who can deliver a similar program, probably better because they know the landscape.

It sends this notion, and I hear it all the time within Sydney, "Oh, there is money for the regions", so we will put our hand in that pie and we will get the funding and we will deliver a project for the regions. It does not work because they do not understand the landscape. I am sitting here now and I have one bar of service, so this could drop out at any point in time, and in Wagga the internet drops out at 3.00 p.m. every day. Funding the regions directly would have so much of a benefit. Like you said, if that money was flush in the regions, people could be employed. It puts money tenfold back into the region. That is what we need. We need the regions funded and for that money to be swished around each region. Imagine the impacts it would have. Paying consultants and then paying them a lot of money to travel is a waste of money. It is just terrible.

Mr CLAYTON BARR: Can I follow that logic to the next step. Point one is: fund the regions directly. My question now is: what does that look like? Who gets the funds? How are the funds handled at a regional level? Who is responsible for overseeing them and how do they decide where to spend them?

Ms SOMERVILLE: Can I jump in?

Mr CLAYTON BARR: Absolutely.

Ms SOMERVILLE: Simone and I work closely off the bolder model, which is more around leaders and feeders in an ecosystem. What we have seen in the past is that the Government has had an extremely sole focus on, one, being the leader, which it is not; and, two, looking to fund the start-up directly. After those things are in place, our leaders in our ecosystem have to be entrepreneurs. They cannot be government bodies. The feeder organisations, which are all of our support organisations, include government, councils, universities—all those support organisations that fit around an ecosystem. No-one is having a conversation collectively with our feeders. No-one is saying, "Okay, a local government area. This is the role you need to play within an ecosystem. You are our feeder, support that leader in your ecosystem." There seems to be no alliance for that conversation to occur across the funding model.

Can I quickly add to what Simone was saying, with the Sydney Start-up Hub, I think it is fantastic. There is a regional landing pad there. I hate the fact that we are put away in a back corner and locked in a room. We are not allowed—well, not allowed, but basically perceived to be shunned away and not speak to anyone, but I think it sends the wrong message. It is great if you are in Sydney to say, "We've got all this free office space in the regions and you can use it." I am not going to pay \$1,200 and take two days out of my life to fly up there and back just so I can use the free meeting space. It is a misguided view of what the region needs. I wanted to talk some more about leaders and feeders. Government can play such a front role in creating the feeder organisation and bringing them together.

Ms EYLES: Following on from that, I think parallel to going direct to the regions, in Jobs for NSW you have got a regional "something" team. There are a five people. I cannot remember the name of the team. I cannot remember; I am going blank. Why is there a regional team with five people from Sydney? I do not get it. If you are going to have a regional team, have people from the regions as part of the team. It is very frustrating because people do not get it. Following on from DI, now we are in winter, we can get fogged in. You can get the 6.30 flight up to Sydney, which is great, but if there is a fog, there is no chance. The fog might lift at 12.00 p.m. and then on top of everything with technology does that not remove all of our geographical barriers? You could have a regional team. You fund the regions directly and use the technology to build an ace team; be connected through multiple services to deliver projects and connect and communicate remotely.

Ms SOMERVILLE: In answer to your question that who should be funded, it should be the leaders in the ecosystem that are driving all of the movement of the whole ecosystem.

Ms EYLES: I think, too, with funding the leaders—I have been doing this for seven years. This is the first time someone has asked me, "How can we help? What can we do?" No-one asks that question. Our problems, our challenges or our opportunities in Wagga will be very different to Bathurst or Orange, or even Albury, which is literally down the road. There needs to be a conversation, "What do you need? How can we help?"

Mr CLAYTON BARR: Before you say anything too bad about Albury, the member for Albury is part of the Committee. I need to give you the heads up. The other members are David Harris, who is the member for Wyong on the Central Coast. My name is Clayton Barr, and I am the member for Cessnock in the Hunter Valley. Michael Johnsen is the member for Upper Hunter. We have a regional gathering of members. Can I go to the ecosystem, or the leaders group or body? Who would be responsible for identifying them? How would that work? Who is going to take that task on and establish them and identify them?

Ms EYLES: They work in spaces in the region.

Ms SOMERVILLE: Yes. Usually your leader is the head of the co-working space. Another massive gap is the lack of marketing and state collaboration. We do not understand what our ecosystem looks like nationally. It is very state centric; they have got a state bonus. So from one state to the next state to know who is what we refer to as the activated leader in each region, but we know who they are because we work with them, but there is nothing that brings all of them together. That is a really opportunistic role for government to play.

Mr CLAYTON BARR: If I am hearing you correctly, what you are saying is that we need to set up the co-working spaces or hubs. Are they the same thing in your language because they are the same thing in my language?

Ms SOMERVILLE: Yes, but they are already established.

Mr CLAYTON BARR: Already established?

Ms SOMERVILLE: Yes, so you are going to the people who are leading these co-working spaces, or these hubs—co-working spaces coming to where you work from a hub being a place of activity and events, either/or, but usually the person who is running both in these areas is generally your leader of your ecosystem.

Mr CLAYTON BARR: Some of those hubs or co-working spaces are funded by government, some of them are private enterprise, and some of them are just running on the good will of the local community at the moment. Should we make that more consistent?

Ms SOMERVILLE: Correct me if I am wrong, Simone, but every region is different. The maturity of each ecosystem is different. The knowledge model or education of the feeder organisations in each region is different. So trying to make it one size fits all for each would not achieve the object.

Mr CLAYTON BARR: Can you give me a ballpark figure: How much money do start-ups need to kick them along a little bit? If I can put it a different way, how much would a region need in terms of annual ongoing funding so that it would have a bucket of seed money to dish out and divide amongst worthy concepts?

Ms SOMERVILLE: It depends on whether you want the money to go direct to the start-up or you want the money to go to building a sustainable ecosystem—which one would you want to do?

Mr CLAYTON BARR: Which is the best one to fund? Which would you get the best bang for buck from?

Ms EYLES: Start-ups.

Ms SOMERVILLE: I think supporting the ecosystem, because it has a sustainability model that could work over years. Government has a more proactive role in building sustainable ecosystems and getting everyone together to work together as a community so that the communities have ownership of it and move forward. As far as funding is concerned, it depends on the start-up as to how much money you need to give you a start. But it is not just about the funding, either. There are so many different aspects that a start-up would need in order to go forward. Better still, start that conversation around mobilisation of partners or agency of the investment in our region. Those are the sorts of things we need to be doing to build our ecosystems so that we do not have to keep giving money out to the start-ups. So there needs to be a shift in the investment towards the feeders.

Mr CLAYTON BARR: Just to clarify I think Di said the best bang for buck is to fund the ecosystem and I think Simone said that the best bang for buck is to fund the start-ups.

Ms EYLES: Yes, that is right.

Mr CLAYTON BARR: It is fantastic. It is really good to have these different opinions.

Ms SOMERVILLE: And we are work partners!

Ms EYLES: We work together, and that is why we are so good. We are very yin and yang. For example, for 365Cups we got \$50,000 which paid for a \$25,000 legal fee to do our terms and conditions of privacy policy and our trademark in Australia and New Zealand and the Madrid protocols. On paper, we would never have got that. Without having that we could not have signed some pretty big deals, because we needed to have those things in place. It is chicken-and-egg stuff. I was not going to sell my house to pay \$50,000 in legal fees but that funding really shifted our business. That is one real-life example I can give you. That was the Commercialisation Australia program, which is now the Entrepreneurs' Programme, I believe, of Federal grants.

With respect to the co-working space that I created, I got a \$10,000 grant to kick that off. It was an idea I had but, with limited time and limited money I did not do anything. This is a start-up that has a registered business and is in market. It is not someone at home with a great idea; it is for someone who has done the leg work and proved that they have some traction. The \$10,000 to \$50,000 can make a massive difference, from signing big contracts with big clients to kicking them along.

On the flip side of that, Di was saying that all of the feeder organisations have to be supported as well, because you still have to support the people by giving them or advancing some activities to take the idea out of their heads and start. But then when a start-up turns into a big business they need those other organisations to help them and support them and give them all the things as the dynamic of their business changes.

Ms SOMERVILLE: The other model that is worth looking at is the loan model. So, rather than giving out money as a grant it is given out to start-ups as a loan, because if you are trying to get a loan as a start-up it is almost impossible.

Mr CLAYTON BARR: Yes, of course. Those are all the questions I have. I thank you so much. I think Mr David Harris, the member for Wyong is going to ask you some questions now.

Mr DAVID HARRIS: What interface do you have with Charles Sturt University [CSU]?

Ms EYLES: What do you mean by "interface"?

Mr DAVID HARRIS: Charles Sturt University has an incubator program that is co-funded by the New South Wales Government. One of their aims is to support the development of regional entrepreneurship, small to medium size enterprises networks and innovation ecosystems. That sounds like what you are doing. Have they contacted you? Have they offered any assistance? Have you contacted them looking for assistance?

Ms EYLES: We run that program for them.

Ms SOMERVILLE: We are the facilitators of that program.

Mr DAVID HARRIS: Thank you.

Ms SOMERVILLE: Also, the application that we are putting forward for a local innovation network is a collaborative application with CSU.

Ms EYLES: CSU has been really good. Because of the work we have done in installing the ecosystem, they reached out to us, and we have really leap-frogged what they have started with. We have a lot of contacts and mentors and there is a pipeline of people to come through, so it has been a real success, I believe.

Ms SOMERVILLE: It has been a lot of work—working with them—to get them to that point.

Ms EYLES: Yes, it took us a year to get the contract over the line—a year that we were not paid any money for.

Mr CLAYTON BARR: Ladies, this is all going on the public record.

The CHAIR: You should have asked for a research grant! I have no further questions, unless there is anything either of you would like to say to finish up.

Ms SOMERVILLE: No.

Ms EYLES: I would like to thank you for giving us the chance to have our say. I would also like to ask you what happens next.

The CHAIR: The next step will be that the Committee will decide whether to make any more site visits or anything like that. We will then start to put together the report and our recommendations. At this stage we have an indicative time frame of handing the report to Parliament in August.

Ms SOMERVILLE: Thank you.

The CHAIR: Your evidence has been very helpful in helping us put together recommendations in the report. So, thank you very much. 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?

Ms SOMERVILLE: Yes, sure.

Ms EYLES: Yes.

(Witnesses withdrew)

(Short adjournment)

SARAH NOLET, Founder and Chief Executive Officer, Agthentic, affirmed and examined

The CHAIR: I now welcome Ms Sarah Nolet from Agthentic. 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 NOLET: No, I do not.

The CHAIR: Before we commence with questions, would you like to make an opening statement?

Ms NOLET: Just thank you for having me and thank you for considering this really important issue. I am looking forward to talking about it today.

Mr GREG APLIN: Thank you for appearing before the Committee. Could I ask where you are based and could you give us an overview of Agthentic and the service it provides to regional start-ups?

Ms NOLET: I am based in Sydney and we work in the agtech space explicitly, a bit of foodtech work as well. The support we provide is a range of services. On one side we do a lot of work around building the ecosystem for agtech, helping to connect in larger players like government, corporates and agribusinesses to help them work with start-ups. On the other side we help start-ups with everything from capital raising to operations to strategy work as well as running programs that kind of sit in between those two things. So acceleration and incubation programs, we participate in those as mentors—or actually development run those—so, all around the innovation space for agtech.

Mr GREG APLIN: Obviously you have extensive international experience. How do you connect the regional start-ups with international investment and markets?

Ms NOLET: Part of it is just raising the awareness of what is going on in Australia in the region. We do that through a number of digital means. We have a podcast, for example, where we can bring along guests, including regional start-ups, and that has international distribution. We run the Sydney Agtech Meetup, which is part of the national network of meetups. Although it is based in Sydney we have international guests that come as well as regional guests that come if they are in town and we try to schedule it around those kinds of things. Then we also record that on the podcast as well and put it out to the region. So it is a bit of a mix of physical and digital in that sense, and international.

We do work going to the US and understanding what is going on there, what our best practice is in terms of supporting start-ups. For example, we recently did a trip to the Midwest of the US—so looking at what is happening in the regional areas of the US and what regional Australia can learn from that perspective, looking outside of Silicon Valley to say what is happening elsewhere and what are lessons for regional Australia, New Zealand and elsewhere.

Mr GREG APLIN: What is the participation rate like in any webinars or teleconferences and, indeed, the take-up rate of any podcasts given that people are in regional areas and you are based here? Is there any resistance to that fact?

Ms NOLET: No. I would say the digital world is quite receptive to this. Sure, there are connectivity issues, and I am sure you have heard about that and are aware of that, but podcasts are a great way because you can download them when you have connectivity and listen to them when you need and they are not large. So I would say that is quite a useful way and we get demand for more things like that. We have demand to record the meetups as well as webinars and we also run programs entirely remotely. There is digital infrastructure now in terms of videoconferences, and audio files like podcasts make it quite easy to do things digitally and remotely.

Mr GREG APLIN: This Committee is composed of regional members, so we would identify with what you just stated, particularly those of us with extensive agricultural pursuits in our electorates would understand that farmers do exactly that and have been doing it for all time, it is just that communication has improved over that period. How do regional start-ups access private investment and how is the Government involved in connecting investors with regional start-ups?

Ms NOLET: I think they access it in similar ways as urban start-ups would, through different networks and connecting with either acceleration or incubation programs that facilitate those connections, or through their own personal networks. I would say that is an area where regional start-ups might be at a disadvantage, that just the lack of capital and the ease of connecting with it in the regions can be a challenge. A lot of the start-ups we work with will come to Sydney and we will facilitate a number of meetings here for them. So that is a great way in terms of government support. Things like the Regional Landing Pad here in Sydney is a great way to do that; we can have everyone in the same place all day, so that makes it really easy and builds a bit of a central location

for investors and others to know that regional start-ups can come there and will be there. So that is one way that government is supporting.

You are probably aware of the work by Jobs for NSW in terms of the Armidale Agtech Cluster. That is still in its early days but is looking at addressing some of these challenges around capital through, for example, collaboration. So instead of one start-up seeking out one investor, we have a common frame in terms of many start-ups or many companies, and it makes it easier for investors to say, "Go to Armidale and meet with many people at once" instead of having to go one-on-one-on-one.

Mr GREG APLIN: If I could put in a plug for some of the significant field days. Henty Machinery field days is in my electorate and of course we have got AgQuip as well. Do you participate in those?

Ms NOLET: I do, yes. We run workshops, for example, at those kinds of field days; we also speak at them. I am headed to Coffs Harbour this weekend to speak at a more start-up version of that as opposed to a field day. But especially in agtech, as you would know, we are seeing more of the interception of the start-up world and the ag world. Beef Week was a few weeks ago. I was up in Rockhampton and there were all of the agricultural field day activities as well as the pitch competition for start-ups at the same event. We are seeing more and more of that.

Mr CLAYTON BARR: In your submission you say, "I am concerned about the lack of coordination between these models ..." The Committee is getting mixed messages about how much coordination there actually is. For some people the coordination and the layers become almost a bureaucracy, which is then interpreted as red tape and a barrier to participation. For other people—essentially this is what you say in your submission—it is all madness and mayhem. How would anyone know where to go to tap in? If you had a blank canvas in front of you right now what would your model look like?

Ms NOLET: That is a tough question. There are core principles that I would consider. There is a bunch of work recently by the Kauffman Foundation around entrepreneurial ecosystems. It is really fantastic work around exactly what has worked elsewhere in the world. That is kind of one principle looking at best practices. Specifically things like access to knowledge and resources. In the case of regional Australia that is the central location to go for all my options for funding, all of my options for incubation, all of my options for start-up programs and courses. So a bit of a consolidation of the resources into one place and really easy access digitally to those options. So that is like one really specific thing that could be done that would be really useful. Then it also would raise the profile of the individual efforts of champions and innovators in the different regions, to share them and enable them to be accessible across the different regions. Another one, for example, is around the intersections and touch points. So one of the things I think is sometimes undervalued is physical spaces where people can interact with each other.

I know there are lots of initiatives now around incubators and the universities have been participating in this space quite actively, which is great. I think there is a role for bringing that together across the regions—whether that is a facilitated trip every quarter that start-ups and ecosystem champions could apply for. And maybe that rotates across different regions and culminates in something international each year. It would perhaps be application-based, so it is merit-based and avoids any politics or issues around that. Something like that where you would be architecting interactions physically but it would also be across regions. Not just an incubator, within a region but opportunities for start-ups and champions across regions to work with each other. That is another one.

The last one the Kauffman Foundation found is around a collective story. Something that New Zealand and clusters in the United States have done well in agtech is telling a story of who they are or their brand. I think especially for agtech or maybe across innovation in regional Australia there is a story to be told about that community as a whole. Instead of innovation in Orange, innovation in Dubbo and innovation here, what does innovation from regional Australia look like? What would a brand around that look like to raise the profile of the whole ecosystem instead of any one particular model. To tell that common story and to make everyone here understand that they are part of something. I think that is a lesson to be learned from overseas and from best practices.

Mr CLAYTON BARR: You are obviously quite an entrepreneur. Where did that come from? Was that modelled by your parents or was it something from your university study days or did you fall into it?

Ms NOLET: A bit of all three. I grew up in Silicon Valley—that is where I am from. My dad is an entrepreneur and an investor—that is the family side. My mum has been in and out of the corporate and entrepreneurial worlds. I have had lots of small and big business experience in my family. I studied tech so I have been in and out the tech side of this world for a while. After working for a while I did a program that was hybrid systems engineering and management at MIT Sloan School of Management, so there was lots of entrepreneurial

experiences and exposures there. My journey was finding everything that I wanted to exist in the world that did not exist and wanting it badly enough that I created it. I wanted to make a difference in terms of agriculture and bringing technology to enable sustainability and farm level profitability in agriculture. There were no good models for how to learn about that or how to do it so at MIT I created that. I helped Rabobank to launch an innovation prize because prizes were a useful way to get people talking about it. Especially to get people excited about agriculture, if you bring in entrepreneurship and venture capital they tend to pay attention. I was using things like that to build an experience for myself and for others, and then that turned into Agthentic.

Mr CLAYTON BARR: Have you identified a bigger gap here in New South Wales than in other places you have been to or is it just where you are at the moment and hence you are doing it here?

Ms NOLET: It is where I am at the moment but at the time of the submission the point that I made around collaboration was probably more true then than it is now. I have seen, especially in terms of agtech, the landscape here has changed drastically in the last year even in recognition that there is not going to be one main accelerator or one main fund; it will be an ecosystem with many different players and we need a pipeline of support. Whereas I might have said a year ago that that was more true and we might have been a bit behind here, and there was more of a need for this kind of connectivity, it is less true now because it has come a long way quite quickly even in the last two years.

Mr CLAYTON BARR: Most of the people who have spoken to the Committee and made submissions essentially—I do not want to over generalise—are saying that the government can make some money available to make this all possible. Are you saying that or are you saying that it needs to be coordinated?

Ms NOLET: I probably would lean towards the latter—that it needs to be more coordinated. I think the areas for investment are more indirect than direct. So things like the infrastructure to share what is going on and to coordinate, say, digital webinars or podcasts or things like that, as opposed to more money for start-ups. I think the good start-ups find money. I think maybe that is where I have a different opinion from others. The programs where I would criticise perhaps government programs is—something you might have heard about—around the match funding requirements. While match funding is quite important, there are times when it might not be as useful—for example, there are times in the early start-up phase where a rigorous application process and a role for support—really high quality, best practices support—is important and the start-ups would need capital to be able to go through that.

I will give you an example. We run an accelerator program entirely remotely for farmers. We run it across Australia and we are there in person only twice throughout the 18-week program. The thing that enables them to be successful, or one of them, in my eyes is that they have skin in the game. They put in funding as well as receive funding—so they put in a bit but they receive quite a bit more—and part of that funding can go for their time. They actually have a way to dedicate the time because they are receiving some money and being able to supplement some of their income or their family's income. They also have skin in the game—they have actually put money on the table. They also have a program of support, guidance and time to execute on those initiatives. I think it is that combination of things that is really helpful. It is the support, it is having skin in the game and it is having money to execute the things that you now know need to be executed. I think there is a role for supporting more combinations of those three things. That does not always look like straight-up match funding.

Mr DAVID HARRIS: In essence, apart from being very inspiring, you are a connector. Is that how you would describe your role?

Ms NOLET: Yes. That is definitely true. That is not what I set out to be, but it has become true.

Mr DAVID HARRIS: Obviously we are looking at New South Wales but you work across the whole of Australia. Are we heading in the right direction, looking at the whole of the country?

Ms NOLET: Yes. I think that is a great point; again, an area for collaboration. I think that it would be to the detriment of New South Wales and Australia to have as many just state-based initiatives without coordination and collaboration across the other states. Again, that is something a much smaller country like New Zealand has done well. I will give anecdotal examples of colleagues of mine in Silicon Valley who receive incoming delegations and have expressed lots of frustration from seeing the Victorian delegation and then the New South Wales delegation, without coordination between them, whereas they would much rather see the Australian delegation come and be working together, especially in a sector that is already quite niche, such as agriculture. I think it is both collaboration across New South Wales as well as with the other states for the benefit of Australia. I think that is an area where, especially in a vertical like agtech, there is a bit more work to be done.

Mr DAVID HARRIS: Would you say that at the moment, at a national level or at a state level, there is coordination, or are we treading on each other's toes? Are we in the same space and should not be?

Ms NOLET: I think that it is much less intentional than any of that sounds. If there is treading on each other it is because, perhaps, of a lack of awareness of the other things going on because there are many things going on. It is not intentional, anyway, but I think there is room for improvement in terms of understanding what is going on and not reinventing the wheel but being complementary.

Mr DAVID HARRIS: Yes. That is an area we have not really looked at very much.

Ms NOLET: I could give a specific example, if that would be useful.

Mr DAVID HARRIS: That would be great.

Ms NOLET: In terms of events we talked about, a lot of it, there are now so many agtech events that it is the same few of us speaking again to each other every few months. There is now an initiative to have an APAC-wide event in terms of agtech. It is called evokeAG and AgriFutures Australia is putting it on. I am on the steering committee. We are working to have it really be across Australia and across New Zealand and be inclusive. That is for the benefit of Australian agriculture and agtech. That is one of the first initiatives that I have seen or been a part of that I think is really trying to be across the State as opposed to many others who are like, "We are going to own agtech in this place", or "We are going to own this innovation sector here and be the hub of it—be the Silicon Valley of it." I think it is to everyone's detriment, trying to own it, and in the event space it is particularly obvious.

Mr DAVID HARRIS: You may or may not know about this but I will ask the question: In one of our other inquiries, which was on zonal taxation, we were looking at cross-border types of issues and also how the Australian Capital Territory [ACT] fits in. Our focus is New South Wales, but those borders—and we discussed this before—do not exist for people who live in those areas because they do business across. Do you think in the current system that we are moving towards that there is any acknowledgement of those particular issues?

Ms NOLET: I would say perhaps not enough. It plays out in ag especially because, for example, you have Australia's market which, while big relatively for agriculture, in terms of other industries in Australia for a start-up, a start-up is going to need to look internationally quite quickly so those borders become immaterial quite quickly. It is the same thing with cross-industry borders. Although the Australian Research & Development Corporation system is divided into red meat and wool and cotton, a start-up with water technology does not care whether the farmer is a wool farmer or a cotton farmer. In the start-up role, those barriers are even less relevant and there is probably a lack of context on that perspective for start-ups.

The CHAIR: In your submission you say that when funding programs are made available from the Government, they need to be friendly for SMEs, including start-ups, to apply for. I particularly like the sentence where the idea that a whole industry has emerged to do grant writing is ridiculous and counter-productive, and I could not agree more. On the basis of appropriate types of funding—and when I say types, I am not talking about buckets of money here, there and everywhere or what governments should or should not be funding—in the agricultural sector do you think it would be a good use of taxpayers dollars to have Government fund start-ups and potentially take an equity position, even if it is for a period of time—say, a five-year period or whatever the case may be—rather than give a low interest loan for \$200,000 for five years, or whatever the case may be? Do you think it would be an appropriate use of taxpayers dollars to take an equity position in place of that?

Ms NOLET: I probably do not see you those two things as substitutes for each other because I think in the example of a start-up that would be raising equity alone may or may not be appropriate for them. But taking the equity question directly, I do not think so. I think of the role of Government funding in two ways: I think of it as increasing the birth rate of start-ups, so creating more start-ups, and then reducing the death rate; so it is improving their survival rate over time. It is a bit of a silly analogy.

The CHAIR: You are a country girl, aren't you.

Ms NOLET: I think that is where Government can really support in facilitating models, whether it is prizes, pitches or competitions, that increase the birth rate and raise awareness of start-ups as a tool for regional entrepreneurs and regional entrepreneurship is a path. That is one area. There are lots of examples of that, which I am sure you have heard about from different submissions that are already happening. I think there is a role for Government to be supporting those as well as, like I said before, kind of raising awareness of what is already happening so that we do not have more of the same thing. Then, in terms of increasing the survival rate, funding of things like incubators and accelerator programs when they implement best practices and are grounded in what has worked and have people facilitating them with experience and credentials, I think they are fantastic initiatives. I do not think it makes sense for Government to be funding start-ups directly for the reason that investment is a profession. Skills and tactics are used to evaluate start-ups and make those decisions, and I think that is the role of the private sector to do. That is how I see that.

The CHAIR: In my experience the agricultural sector tends to be a demographic that is quite innovative in itself, usually because of location, necessity, and all those sorts of things. I am interested to hear what you say about the issue of podcasts and all those sorts of things and the agricultural sector taking it up in droves, if you like. We hear equally opposite evidence to suggest that there is too much virtual contact and not enough face-to-face contact. Do you think that there may be a difference in attitude between people who live in town and perhaps people who do not live in town; in other words, on farms?

Ms NOLET: There are a couple of issues there. Yes, there is a very big difference, especially in terms of agriculture. The rural/urban divide is no longer like a city/region thing. It is a town/outside of town thing. You see that in terms of people wanting to buy organic and gluten-free—all of the food and health trends—not always connected to the agricultural production that is happening quite near them. That is not a Sydney/Dubbo or otherwise issue, and that is trending less as well. In terms of digital content versus physical interaction, I think there is a role for each in different cases

One example where we probably need more physical interaction is in terms of start-ups doing part of the start-up process around customer validations and really understanding the pain points of their users and models for trailing and testing the technologies that they are building to make sure that they are useful in solving problems. I think we need a lot more of that. Perhaps that is another role for Government to support trailing, testing and commercialisation of these technologies so that farmers are not asked to bear the burden of paying for things when they are not yet fully developed. But I do not think there is too much digital content and knowledge. I think that is especially true in terms of agriculture. It is not yet even close to saturated. There is a hunger for it.

I am on the board of the Future Farmers Network. Our annual survey comes back and has last year saying that there is a hunger for more content explicitly on agtech, and that is true of the AgriFutures work with young leaders as well. They want more content around this and are happy to have it virtually, or physically, or both. The in-person stuff is great for a meeting and convening and that networking aspect that I spoke about before. It is necessary for trials and it is necessary for start-ups to see and experience problems on-farm so that they can actually solve them with their technologies. But in terms of content and learning, I would say that is moving more into the digital world, as it is in every other sector.

Mr GREG APLIN: We heard a little earlier about your role as a connector and you referred in passing to hubs and communication centres. What is your view of the role of universities in regional areas for regional start-ups and their effect on agtech?

Ms NOLET: I think they have been fantastic for the research aspect and Australia is known for research and I think that is true and I have seen that to be true in terms of innovation, serving as a co-working space or incubator program to bring people together to give start-ups that physical space to meet and to develop their ideas. Where I think there is potential for improvement, and I know folks are working on this, so it is not a criticism, is around the programmatic element—the mentors and connection to investors as well as the training on best practices of entrepreneurship. I know more of that is being developed but that is where we need more content and expertise and the collaboration between them. When there are issues in agtech that one incubator has developed content around or expertise around it would be fantastic for that to be shared more broadly and I think the way to do that is digitally.

Mr GREG APLIN: You made mention of the broad applications of agtech. The reviews suggest that in regional areas perhaps there should be specialisations, perhaps we could call it a centre of excellence, for such things as agtech or healthtech. What are your views on that?

Ms NOLET: I think it is important to embrace the natural endowments or assets of a community. If a community is already doing work in processing or packaging or breeding, or whatever it may be, yes, fantastic, let us elevate that and continue to evolve and work towards strengthening those strengths. The only caution I would put on is one centre of excellence does not have to come at the exclusion of another. Looking to own that space is less useful than looking to elevate the potential in excellence that is already there.

Mr GREG APLIN: Spoken like a true product of Silicon Valley, no doubt. Let us go back one step from the universities. Do you think the spirit of entrepreneurship should be engendered at a school level and do you think there is a role for government to play in encouraging entrepreneurship as a career?

Ms NOLET: Especially in the agriculture community. As you mentioned before, there is already a natural tendency towards that compact mentality of figuring things out when you cannot go to the store to buy something and you have to just fix it. That is the culture and spirit there. Yes, definitely, and especially in the agricultural communities. There has to be a demand for it; it cannot be a push. But I think we are already seeing strong demand for it especially around digital technologies and it is a huge opportunity for regional communities. There was a report in the United States that came out and talked about the need for a geek squad. I do not know

if you are familiar with that model, but a service model for technology with vans that go around and help with service. There is equally one for agtech and that is a fantastic way to create regional jobs for young people around fixing digital technologies and electronics on farms. That is skills to be built for young people and a potential exciting regional business and there are many other opportunities like that.

Mr GREG APLIN: The next step is the delivery model, how do you see that being delivered?

Ms NOLET: I imagine it would be a combination of different means. Perhaps if kids are at school, it is a pathway. A STEM in general is incredibly important, it is in agriculture as well, and there is a role for digital content as well. The challenge with digital content at a younger age is engagement with it and that is all of the broader educational and technology issues. When there is a demand for it there is no reason that cannot be delivered online as well. What we previously talked around is that universities are a great hub to bring students in to experience the practical side of it. We already have trial farms and testing infrastructure to see these technologies in practice or build and create new ones. There is work going on to use technology like drones to get kids excited about agriculture. There are many overlaps in the digital world as well as the physical world.

The CHAIR: Just to touch on that a little more and education about entrepreneurship. Generally, we agree that farmers would not necessarily classify themselves as innovative, but we know they are because they are forever inventing something. As a wider community do you think farmers see themselves as entrepreneurs, and if so is there a difference in generational views?

Ms NOLET: It is a question I have thought a lot about in running this program for farmers. We are working with farmers who have self-identified as wanting to have a go at being an entrepreneur and "I want to go through this course and I will put money on the table." There is this real question of are you born an entrepreneur or can you learn it?

The CHAIR: It is a question I have been asking a lot in the last two days.

Ms NOLET: I think it is probably a bit of both, which is not a useful answer, but I think the intervention is around identifying and encouraging those tendencies when they do exist or once someone does want to develop them. One program that we have been collaborating with in the US is at the University of Lincoln in Nebraska and it runs a course for undergrads in agricultural entrepreneurship. The first aspect of that is not about an idea or lean start-up or any of the jargon stuff; it is about "Do you want to be an entrepreneur?". They do things like give students \$50 and say, "You have three weeks to build a business and turn \$50 into as much money as you can," and that will quite quickly weed out someone who is going to be paralysed and not make decisions from someone who is excited about hustling and building a lemonade stand, or whatever it may be.

They do another one where they give someone a paperclip and you can only barter. So you barter a paperclip for a cup and a cup for whatever and you try to get the highest value object you can get. At the end of that module what they found is that students who have been excited about being an entrepreneur and gotten a taste for it continue on. Then they go into ideation and then lean start-up, whereas ones who have said "that is not for me", do not. That kind of example is more useful in terms of identifying tendencies for entrepreneurship or interest in it as opposed to starting with "do you have an idea, let us build a business", but more "do you have the characteristics or do you want to develop the characteristics that are necessary to be an entrepreneur".

The CHAIR: I would equate that to an aptitude test.

Ms NOLET: Yes, I think so.

The CHAIR: Do you think education programs should be, after an aptitude test, more focused on those people who are more inclined to be that way?

Ms NOLET: I think probably entrepreneurship is a bit different in that sense because it is not a foundational skill that everyone has to develop. Whereas, whether or not you have an aptitude for writing you should learn how to write a paragraph, entrepreneurship can be a potential career path. In programs that are optional or elective or in the vocational area that is where that comes into play. It is useful to have that experience of what entrepreneurship is. We found that with our cohorts, the biggest learning is, "Oh, wow, this is really different than I thought," and I either really like it or I am not so sure and that matters more than whether they had a good idea or funding.

Mr CLAYTON BARR: When is your next blog post, "Lessons from the Midwest", coming out? Part one was in April and it said over the next couple of weeks the rest of them would be up on the page.

Ms NOLET: I can tell you what it is about.

Mr CLAYTON BARR: No, spoiler alert! I am waiting for the other five and they are overdue.

Ms NOLET: Yes, I agree. I have been busy speaking.

Mr CLAYTON BARR: You do not sound busy at all.

The CHAIR: Thank you for appearing before the Committee today. The Committee may wish to send you 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?

Ms NOLET: Sure.

(The witness withdrew)

ZOE de SARAM, Deputy Secretary, Skills and Economic Development, Department of Industry, sworn and examined

The CHAIR: I welcome Ms Zoe de Saram from the Department of Industry. 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 de SARAM: No, it was fine. I am ready to go.

The CHAIR: Before we commence with questions, would you like to make an opening statement?

Ms de SARAM: I will very briefly. I came in about half an hour ago and listened to the last witness, Ms Nolet, and I have to say that she was very impressive. I was chatting with my colleague Tony Stephens from Jobs for NSW, and he been here listening to the proceedings the whole day. He said he was so glad he came for the whole thing and that he had learned so much. I have never been a business owner and I have never operated a start-up. I had my grounding in government policy and am an agricultural economist by training. I appear here today to talk to you about government policies. But the one thing I would like to distinguish myself as is someone who puts myself at the centre of what customer needs are. I am someone who is very passionate about regional New South Wales and Australia. I come to you with that spirit and hopefully will give you as much information and transparency as you would like to have today. Most of all, I would like to extend an invitation to you, if you have the time, to come and visit the Sydney Startup Hub.

The CHAIR: We have.

Ms de SARAM: I am happy to give any additional information that you would like through that process.

Mr GREG APLIN: How does the Government determine which private companies to work with to provide incubator and accelerator services? I make particular reference to the partnership between SparkLabs Cultiv8 and the Department of Primary Industries.

Ms de SARAM: I have educated myself more in this area. I have come to the conclusion that each organisation requires a very different level of support and type of support, whether it be from other private sector organisations or the New South Wales Government. In a number of cases, we do have Business Connect advisors out in the field. Tony Stephens leads our regional strategy and engagement team, which encompasses people who are out in the field who are constantly talking with people about who needs to be triaged and referred onto specialised programs. We will be out there constantly talking to people and referring people on depending on the needs that they have.

Mr GREG APLIN: What focus has the Government placed on encouraging regional start-up clusters? I asked the previous witness about agtech or healthtech. Do you have any predetermined ideas about endeavouring to create those clusters, or is it something that evolves?

Ms de SARAM: This space is very new and a lot of it is evolving. I read in one of the submissions that the start-up area is still in its embryonic phase. The witness that came before me, Ms Nolet, talked about natural endowments and we are seeing regional areas that are developing in particular areas of speciality. Recently, we talked about what start-ups and individual companies need, but one of the key things that Jobs for NSW has been pioneering is around community-led initiatives. The Deputy Premier recently announced the regional innovation networks, and there was \$2.1 million behind that program. What we are seeing is communities coming forward and telling us about what their needs are and what they want to be developing in their local areas. There is a lot of effort by Jobs for NSW to use its resources to network across New South Wales so that we have that collective intelligence.

Mr GREG APLIN: One of the criticisms we have heard from some witnesses is about the amount of time and the amount of paperwork involved in applying for some of the grants. What feedback has the Government received on that?

Ms de SARAM: The first thing I would say is that after educating myself before appearing before this Committee, I think one of the improvements that I would like to see is around the better delivery of joined-up information to people who require help. The second thing I would say is that there are information gaps about how Commonwealth and State programs fit together. I notice that Mr Harris twigged onto that point last time and said that coordination was something that we would have to come back to. I would like to leave with you today a piece of work that Job for NSW put together. It is a road map that shows the different stages that various companies are at. Companies' needs change depending on where they are in their evolution. Basically, the map says that the

needs of a company during the start-up phase are going to be very different than the needs of a company at the other end. The really good thing about this road map is that it identifies at first glance what New South Wales programs are available for the company's circumstances and what Commonwealth programs are available for the company's circumstances.

To answer the specific question about time frames, there was a lot of feedback in the submissions about the time it is taking and the amount of effort that is required. As we all know, these companies will be time poor and every minute that they spend on applications and business processing is money for them. When he prepared me for this hearing, Tony Stephens gave me one example of feedback they had received around the time it took to complete an application for the Minimum Viable Product grant application. They have minimised the amount of paperwork to the point where I am told—and it is still to be tested by me and I am really keen for feedback from people—that you can complete the basic questionnaire in up to two hours. It is very straight forward. The processing time to receive a grant could be up to eight weeks, depending on the volume that comes through.

I am pleased that Jobs for NSW is saying, "Okay, well how can we improve our programs and processes." In preparation for this hearing I googled "start-up funding" to see what is out there and what the average punter would see. I have to say, it was a little bit confusing.

What I discovered when I did my homework is the NSW Innovation Concierge service, anchored by our Department of Finance, Services and Innovation. Start-ups or other innovators can get online and submit their requests for information. I asked what sort of feedback people are getting and what sort of questions people are asking, and I am told it is largely around the funding side of it and access to funding. One of the things I would like to see going forward over the next 12 months is Jobs for NSW looking at its processes, looking at its applications, looking at the face-to-face support we give people when they want to apply for these sorts of assistance measures.

Mr GREG APLIN: Thank you very much for that response. We will be very pleased to receive that road map. Interestingly, for the first time we saw it at an innovation centre yesterday—I have a photograph of it with me produced in November last year. The more that is communicated—

Mr DAVID HARRIS: I pinched one when we went to the start-up.

Mr GREG APLIN: He took one, but we do not have it on file.

Ms de SARAM: When I looked at what the Commonwealth Government was offering and what the New South Wales Government is offering I was really impressed by the amount of assistance and information that was out there. But what people are looking for are better ways of navigating.

Mr GREG APLIN: Yes. I think that is the key. You have identified the communication of that to the target market is essential.

The CHAIR: Would you like to table that road map formally?

Ms de SARAM: Yes, I would. If you need additional copies, please let me know.

Document tabled.

The CHAIR: I am going to address two areas of the inquiry's terms of reference. First of all, I want to ask about the effectiveness of the State Government's policies and programs. How long has Jobs for NSW been going?

Ms de SARAM: The Jobs for NSW legislation was enacted in 2015 and Jobs for NSW was established as part of that.

The CHAIR: In your previous answer to a question from Mr Aplin you talked about testing access and information yourself. Jobs for NSW has been going for a little while now, it is fair to say. In my experience as a member of Parliament—and I am sure it is the experience of most people—there is often a huge gap between intent and delivery. Why is it taking so long to finesse some of these procedures and processes and why are people still showing frustration?

Ms de SARAM: If you have those examples of frustration, I would encourage you and any other member of Parliament to contact me directly and give me those examples. I should caveat that by saying, "Please come through the Deputy Premier's office."

Mr CLAYTON BARR: I was going to ask for a card.

Ms de SARAM: Mr Barr, I would gladly give you my card. I am paid by the taxpayer so that is not a State secret. One of the key things, and I would like to leave this impression with you, is that Jobs for NSW was

something innovative that we have done. It has not been tried before in Australia. There was a start-up phase. Like in any business operation, it takes time to get going. What I have seen—and Jobs for NSW started to report through me in February, so only a few months ago—is a bunch of people that are deeply committed to helping people in this space. So if there are examples of those frustrations, please send them through. The feedback from the community is incredibly important for us in helping to refine what we do, and we will absolutely refine what we do.

The CHAIR: Do you think some of the frustration may be because Jobs for NSW does not necessarily set 100 per cent of its own rules and it needs to work within government and some other departments need to have some oversight or some part of the process so that it cannot necessarily be as nimble as it may intend to be?

Ms de SARAM: I would say by its very nature in government and the subject matter that we are dealing with, there are so many contributing organisations to it, both within government and outside, and it takes time to coordinate that and get people the right answer. What I say is it is the quality of the contribution we make rather than perhaps the time frame. But having said that, I know that particularly in regional communities people ask a question and they want the answer in the least time available.

The CHAIR: It is human nature.

Ms de SARAM: It is. You hear stories about government being inefficient and yet every single day I am a user of private services and I go and sit in a waiting room at a doctor's surgery or on the telephone to Telstra waiting to have something connected, so those are the frustrations. But what I have seen is Jobs for NSW wanting to get out there into the communities and to meet the tailored needs of each of those communities but also the start-ups. Looking through the submissions to the Committee I think it is fair to say there has been a good degree of positive feedback about Jobs for NSW. There are some areas we need to improve on, and we will.

The CHAIR: Very good. I would like to touch on the policies and programs in other jurisdictions aspect of the terms of reference. Have you had an opportunity to do some form of critical analysis of the comparison between the policies and programs in New South Wales and other states—how it may actually be playing out and the effectiveness of that?

Ms de SARAM: I have not personally in my time of three months sat down with Jobs for NSW employees and compared between jurisdictions. It is fair to say with all of the feedback that we are getting from the start-up community but also considered pieces of research that New South Wales is leading the field in this space. However, one of the things I am painfully aware of is that we can make policy on the run, and I want to be more evidence-based when we are developing and shaping up further policies in this area, but also guided by the evaluation of the various programs and policies we have in place right now. It is a rapidly evolving field. The Committee heard the speaker before me say that there has been such rapid change even since she made her original submission to the Committee. What I would say to the Committee—and I hope the Committee picks up on this as a recommendation—is the value of the evidence base to inform what policies are successful, what are not, and where to from here.

One of the reports that I discovered—and it is from the Enterprise Research Centre in the United Kingdom and I do not know whether your researchers have seen it yet—is called a Local Growth Dashboard, which is around start-ups. It takes the map of the UK and uses various datasets to map where start-ups are location, both in terms of where they are located and what the returns are. It uses various metrics to measure success. Even the witness before me said it was not just the number of start-ups that are commencing; it is the ones that survive. Have a look at it if you have not already seen it. I am happy to provide the link to you. That is what I mean by evidence to say, "Are these programs working? What is needed? What is not?"

Mr CLAYTON BARR: Following on that line, what would evidence be: a business is established and survives or a business employs people?

Ms de SARAM: There are a number of different metrics you can use, and of course Jobs for NSW was created with the intent of creating new jobs for New South Wales and that is what the emphasis is on. So naturally that would be an indicator. I think it would be wrong to focus on just one indicator. You need a range. I am yet to have that conversation with Jobs for NSW but I know the Jobs for NSW board chaired by David Thodey is really interested in having these sorts of discussions.

Mr CLAYTON BARR: Correct me if I am wrong, but one of the outcomes of Jobs for NSW investing in some of these business entities is that they end up as a stakeholder.

Ms de SARAM: As a financial partner.

Mr CLAYTON BARR: They put money in and they then own a portion of the business—is that correct?

Ms de SARAM: Yes, there are equity instruments there.

Mr CLAYTON BARR: Do you have any understanding of how we manage our ownership of that equity in terms of whether we as a government seek to influence or have a say or do we become a silent partner and let it go and hope that our money is on the right horse?

Ms de SARAM: Mr Barr, I will need to take that question on notice, if you do not mind. I do not want to mislead you.

Mr CLAYTON BARR: To save you reading all the transcripts, over the past couple of days we have been posing that question about what is the right model and what is the wrong model. If you put money in, what do you get for that? Do you get the risk or do you get a stake?

Ms de SARAM: Yes.

Mr CLAYTON BARR: Would the submission entitled "NSW Government Submission to the Legislative Assembly Inquiry on Support for Start-ups in Regional New South Wales" come out of your department? It does not have an author.

Ms de SARAM: Typically with submissions to parliamentary inquiries when a number of agencies are contributing, it would be coordinated by the Department of Premier and Cabinet.

Mr CLAYTON BARR: That is correct, it is. If I could offer something about your work in respect of improving how customers receive the work: it is very confusing. Someone has done a job of summarising the opportunities and I have read through the summary of opportunities. I did not have to go and find them; they have been presented to me. It is very complex.

Ms de SARAM: I take your point. When we are pulling submissions together, there is a real art to addressing the questions the Committee has raised. One of the issues I have been struggling with, and I have asked the Jobs for NSW staff to give me an indication about, when we talk about start-ups, the literature differentiates between start-ups and small businesses based on a number of factors, including growth. We seem to use—and we do it in that submission—the terms "start-up" and "small business" interchangeably. My question to my staff was, "Are we absolutely certain that we are targeting our services to the needs of start-ups as opposed to small business?" Knowing where you represent your communities, I am absolutely certain the Committee would join me in saying that the contribution of start-ups and the contribution of small businesses are both valuable and they both need to be encouraged.

In preparation for this hearing, what I have established is that irrespective of whether it is a start-up or a small business, and they can be a subset of each other, there are some basic services that are required. We have Business Connect advisers on the ground who help to work with individual business owners to understand what their specific needs are, and often it comes down to business planning, understanding how to write various submissions, understanding basic computer programs. Then there is a high level of service around intellectual property, legal services, and if we do not have the required specialist support available through our Business Connect partners, then we would refer them on to additional areas for help.

The point I am trying to make is that whilst that submission conflates a lot of information around small business and start-ups, the practical experience on the ground tells me that there is a very good operation in place in working with start-ups to identify what their needs are, what the services are that we will provide to them and the wraparound services that we put in place for them. Indeed, the critical thing is if we cannot help them and we see that a Commonwealth program is able to help them or some other program, then we will absolutely refer them on. We also have TradeStart export advisers in the field in regional areas and often these companies or organisations are wanting to export in order to grow, so we are able to bring all of those services together. We also lead trade delegations overseas and take start-ups and other businesses overseas and introduce them to some valuable contacts that perhaps one day will be business partners for them.

Mr CLAYTON BARR: I could not agree more. With all of that in mind, to come back to the point about the definitions and going back to your suggestion that in the UK they have a dashboard, the reality is that at some point you have to have a line in the sand to say that this is or this is not a start-up. We spent some time at the start of this inquiry landing on a definition of what a start-up is. Quite a number were bounced around. To be honest, as this inquiry has gone along that line has got more blurry, not more clear. That is important. I would be interested to know your thoughts on how important it is for the New South Wales Government to be clear about different sources and buckets of money, grant processes, loans. If they are going to be targeted specifically at start-ups, then who is that and who is it not?

Ms de SARAM: The point I would make is that Jobs for NSW is very much focused on job creation.

Mr CLAYTON BARR: Regardless of whether it is a start-up or a small business?

Ms de SARAM: A lot of its work is geared towards the start-up ecosystem. It is not just a start-up per se, an organisation, but creating the community around it, so all the supporting services and infrastructure. They also do a lot of work in connecting various communities, start-ups together and introducing them overseas. On that point of connectivity—I am sorry if I am not answering your question directly; I will come back to it—I was really pleased to read that New South Wales and the work we are doing—I am trying to find my paperwork. I thought I put it away safely; I cannot lay my hands on it at the moment.

Mr CLAYTON BARR: That makes it very safe, by definition.

Ms de SARAM: Indeed. There was an incredible report about a global start-up survey, which named Sydney as the number one location in the Asia Pacific as one of the world's top 10 for local connectedness. It was a global start-up ecosystem report. My point is that we can focus on the types of financial products that Jobs for NSW has, whether it be grants or loans or equity products, but there is a broader conversation to be had about the range of support that is given to start-ups and the start-up community.

Mr CLAYTON BARR: I agree. My question to you is: is it important that we clearly define that, or is it less important than having the broad range of options?

Ms de SARAM: Mine is only a single opinion. I would be keen to hear what your other contributors have had to say. You can spend a lot of time debating the definition, saying, "Is it a start-up that has a life of three years or five years", and so forth, but what we need to look at is what is the nature of this business? Do they have revenue, do they not have revenue? I would like to think we come back to a road map like this to guide our thinking. There are no hard and fast rules around this.

Mr CLAYTON BARR: Some of the testimony that we have heard is that in the absence of a clear definition, people have invested a number of hours putting in applications and grant processes and then after the investment of a number of hours finding out that, well, they were not in the ballpark because what they were offering was never going to be suited. Is that why we need to be much clearer about our definitions, to save people the time and energy that they are going to invest otherwise?

Ms de SARAM: I think there is far more effort that is needed and something I would like to drive with Jobs for NSW and others is managing people's expectations up-front. So when they come to us and ask, "Is there funding available?" we can be a lot clearer. We can tell them what we are looking for, the eligibility criteria, where it has worked in previous cases and where it has not, the quality of the application and the critical success factors of that application that we can learn from and inform these new people who come through the door. I think it is about getting in early and educating more. So I am hoping that this Parliamentary inquiry is lifting the awareness of people around some of these key factors that need to be taken into account. Then Jobs for NSW will follow through and set expectations upfront and give clearer information like what is in "Jobs for NSW Road Map" in helping people navigate through. I also think it is really important that we have those local innovation networks so we are learning at that local level and then joining up across the State.

Mr CLAYTON BARR: So how do we find the balance between accountability for the use of taxpayers' dollars versus what has been described as the problematic red tape of reporting? There has to be a balance there.

Ms de SARAM: Absolutely.

Mr CLAYTON BARR: I appreciate that you said earlier that you have refined the application process so that it is, hopefully, two hours or less. I do not know what it used to be, but that sounds like progress.

Ms de SARAM: It is progress—trust me.

Mr CLAYTON BARR: As local members, we are probably all aware of a couple of common programs that constituents apply for. One is the Community Building Partnerships. That is 13 pages long. The other is a sports grant. It is two pages long. There has to be accountability, of course, but can you confirm for the Committee that you are driving towards a two-page process, which still offers accountability but minimises the load?

Ms de SARAM: One of the Government's key priorities is to make it easier to do business in New South Wales. That is something that the Government has been reinforcing time and time again. That message is coming loud and clear to me, as a senior public servant. Equally, I am accountable for taxpayers' money. The other area that I am particularly conscious of is that in this start-up world and in the world of innovation there is more risk.

Mr CLAYTON BARR: Yes.

Ms de SARAM: So it is about balancing those three things. We have an investment team in Jobs for NSW that scrutinises, quite heavily, these sorts of applications. It is honing its process to make sure that we are

simplifying internal processes through using a range of various tools to make it a lot easier and simpler to make assessments. Whereas it used to take us a fair while, we are now getting much better at it and it is taking us a shorter period of time. But, again, those assessments depend on the complexity of the proposal that is put to us. So some applications are fairly easy, and can be assessed in a matter of hours. Others absolutely need far more scrutiny.

I do not make any apologies for taking the time necessary to evaluate and make recommendations on those. If I did something wrong there, I am sure, gentlemen, you would be the first people to ask, "Why did you do that? This is a waste of taxpayers' money."

Mr CLAYTON BARR: I think the taxpayers would say it to us, first, and then we would say it to you.

Ms de SARAM: I know.

Mr CLAYTON BARR: We were told, anecdotally, yesterday, during one of our site visits, that in excess of 90 per cent of these start-ups fail.

Ms de SARAM: I know that in my reading of the literature that a significant number—I do not know if it is 90 per cent—have the potential to fail.

Mr CLAYTON BARR: From my reading—correct me if I am wrong—is that one of the avenues for getting money through Jobs for NSW is that if you have not been able to source funds through normal streams, through normal financial institutions, because they have assessed you and said no you can then go to Jobs for NSW and ask for money. In an industry where a large number are already failing, and some eyes have already looked over the business model and someone has said, "No, we are not going to fund you," are we in the right space?

Ms de SARAM: Mr Barr, sometimes when start-ups want financial assistance they cannot even get a look in the door to have a bank scrutinise, because they do not have a credit history. That is the first thing. The second thing is that Jobs for NSW should not be in the business of competing with private banks.

Mr CLAYTON BARR: Sure.

Ms de SARAM: So there is a particular area that we concentrate on. I cannot remember the exact figures but we play in a space where start-ups are cash constrained and there are no other sources of funding. The Jobs for NSW board has made a deliberate decision about risk appetite. That has been made in consultation with the New South Wales Government. There are very strong audit and risk arrangements around these processes and decisions. So we do not enter into this field lightly. I am happy to give you some further information on some of the processes—the rationale—of why we target this particular area and what assurances processes sit behind it. I am quite happy to give you that information.

The CHAIR: Would it be fair to say, further to Clayton's question, that just because private lending institutions have cast an eye over the business model and said no, it does not necessarily mean the business model of the start-up is wrong? It just may not fit in with the private institution's business model.

Ms de SARAM: That is right. Thank you for helping me. In all seriousness, the other example that I draw to your attention is the Export Finance and Insurance Corporation [EFIC], which is a Commonwealth Government entity. EFIC has been in existence for 60-odd years. It provides export finance assistance to businesses that cannot get finance elsewhere. Again, this is a place where they have identified a market failure and have directed their efforts to assisting. That organisation has been in existence for 60 years. We spent a lot of time putting lots of assurance processes around it in the lead up to the establishment of Jobs for NSW and afterwards. We spent a lot of time talking with them about what sort of scrutiny they put on these applications, the assurance processes that they have in place and the audit and risk arrangements that they have. Indeed, I have met with the chief executive officer of EFIC to get that right in my own mind.

The other point is that governments of different persuasions often fund companies and different organisations with grants. It is very hard to see, sometimes—not often—the return that taxpayers get for their investment in that. So, by moving into this different area where there are definite performance requirements before money is paid, we have an assurance that there will be certain milestones that are reached and there is a return for the taxpayers' investment. I have to say that the return is not just for the taxpayers' investment but for the future of New South Wales.

The CHAIR: Can I touch on the chapter in the submission from the Government around removing barriers?

Ms de SARAM: Yes.

The CHAIR: I am coming back to that theme that people say it is all too hard in many areas. We heard further evidence today that it is too difficult to set up business and all those sorts of things. There are two particular aspects or categories within that submission that I would like to touch on. The first is the regulatory sandboxes. I like the sound of what that is. I put it on record that in the program which was established regulators of an industry provide regulatory exemptions to allow for innovative products and services to be tested in a live environment. Can you give us some examples of where this has occurred and the success or otherwise. What positive or negative have those examples had?

Ms de SARAM: I would be happy to get that information for you. May I take that on notice and give a written response?

The CHAIR: You may.

Ms de SARAM: This area would be administered by the Department of Finance, Services and Innovation. I just do not have that information at my fingertips.

Mr CLAYTON BARR: It is a big department.

Ms de SARAM: It is a big department. I will also give you, if you do not mind, some examples of the easy-to-do-business initiative of Service NSW and the Small Business Commissioner, Robyn Hobbs, that has been fantastic around—and I know it is not directly related to start-ups—cafes and restaurants and small bars. That work has been sheer genius in cutting the red tape around businesses starting up. I was not responsible for the work; I have only seen it, heard about it, read about it, and it is genius.

The CHAIR: I was going to touch on that as well. Yes, it seems to be working, but the thing about that is, in my observation, I know you have got to start somewhere, but cafe, restaurant, small bar—fairly traditional type businesses—in the start-up field where you may have innovative services and/or products, that easy-to-do business initiative is not necessarily able to be implemented. Is that fair to say? Because that seems to be a bit of the feedback that we are getting—it is all a bit too hard, but is that because it is a non-established, innovative new service and/or product that is not able to fit into a box somewhere?

Ms de SARAM: I was, again, reading through the literature around what sort of businesses are start-ups, and often times the business model is not proven; they are still in that sort of proof of concept stage. A lot of times they are disrupting normal business processes. We have seen Airbnb, Uber and so forth; so there are a lot of complicated licensing arrangements around those and often times it takes a change in government policy to free up doing business. But I will take any feedback that you have as part of this inquiry process and I am very pleased to look through it. One of the things that I like doing in any business that I am involved in is going in cold and mapping out the process that an applicant or a start-up business would have in their interactions with us and trying to streamline all of that.

The CHAIR: I look forward to getting some response back regarding the regulatory sandboxes.

Mr DAVID HARRIS: Some feedback: through the different witnesses we are hearing that when people's applications are not successful there is little or no feedback. So they actually do not know how they can improve their application; they just get the "no" letter. That has come through quite a few people.

Ms de SARAM: I am happy to take that as a suggestion from you and try and improve what we do in that space. I think the only way we learn and we improve is by getting that feedback. It is only human nature, so I am willing to take that on.

Mr DAVID HARRIS: Just exploring a little bit about the innovation network that is set up—and there is a lot of literature about growing the ecosystem first before putting elevators on top and getting that done right—in some senses Jobs for NSW, that has been a learning so they have not started there but now they are moving towards it, which is good. The seven locations, how were they determined given that some of the locations I see there are already fairly well established? For example, Wollongong, Newcastle, Coffs Harbour, we know that they are already up and running.

Ms de SARAM: Thankfully, I have been able to lay my hands on what I needed and if I cannot answer it properly today I will give you further information.

Mr CLAYTON BARR: It is not as safely put away as the other one.

Ms de SARAM: Naturally people will ask: Why in this particular location and not mine? In establishing these areas, Jobs for NSW did some mapping exercises and they looked for significant start-up activity first and foremost; they looked at presence of facilities that support start-ups and investment support from government, universities and industry. So the key thing here that came out in the submissions to the inquiry but also, I dare say, in your hearings was the presence of universities and the criticality of having universities connected. So we

looked at that aspect also. We looked at the emerging density of similar businesses in the areas. When all of that mapping was done, those areas were selected.

Mr DAVID HARRIS: Currently, the fund is \$2.1 million. I know you have obviously gone out with an expression of interest and have information back et cetera, but what is the purpose of that money? Is the purpose to have spaces? Is the purpose to provide support? Is the purpose to buy furniture? What is the actual purpose of the fund?

Ms de SARAM: What I would like, again, first and foremost—this is a community-driven exercise—what I would be looking for is feedback from the community on what their needs are. I would like to see what comes through those applications, but this is about bringing services and connections to those local communities rather than perhaps creating new spaces. But I want to reserve judgement until I have seen what comes through.

Mr DAVID HARRIS: It is just interesting because we have heard from Bega today, who went out to Canberra and purchased second-hand furniture and virtually they have set it up themselves with no assistance. Other places have had the university provide spaces and they have got all the links and things they need. In terms of those communities, were they given guidelines of where they should be thinking or is it, "Look, it is an open slather. You come to us and tell us what you need."

Ms de SARAM: I will check on that for you. I will take that question on notice. It is \$2.1 million and I think it is up to \$300,000 per area. That is a tidy amount of money, so you want to be getting the best from that. So is it best in terms of bringing service into an existing facility and utilising that or something else? I will give you some information after this session so you can consider it when you are providing your report.

Mr DAVID HARRIS: Are there any plans for—as we heard from our last witness and other people—cross-pollination? It is great creating regional hubs but is a lot of work being done then for those hubs to communicate with each other what they are doing so you get a better—

Ms de SARAM: There absolutely is. Time and time again when I am doing my job I see pockets of practice, really good practices individually and optimising locally, but when you join them together they are far more powerful. So what I say to Jobs for NSW and, indeed, my broader staff that are involved in helping start-ups and other businesses, is you must make those connections for those local communities so they get the benefit of that, absolutely.

Mr DAVID HARRIS: Is there any review process other than just reporting in an annual report in terms of the regional landing pad and how that is being used, and what areas people are coming from?

Ms de SARAM: Yes is the short answer. With everything that we are doing there will be proper evaluation and assessment, including value for money. If memory serves—and I will correct this later if I am wrong—I think there have been about 150 registrations to use the regional landing pad. Reading through your submissions, one gentleman in particular said, "I don't need to come to a regional landing pad in Sydney. I've got everything that I need right here and now", and there were other people who commented, including on various websites, that when they are coming, say, with their family to Sydney, they can keep their business going by coming to the regional landing pad and working from there whilst the family is enjoying Sydney as a holiday space. There are others who say, "I come to learn and connect with like-minded people, including Stone and Chalk and others." So there are a variety of reasons why people come there. Yes, we will be evaluating to see where they come from, why and how we can make it better for them. The Deputy Premier has been very clear—in fact, abundantly clear—that is not just a resource for Sydney; it is a resource and a critical asset for regional New South Wales and we must make it available to people in regional New South Wales.

Mr DAVID HARRIS: The Committee has heard criticisms that the further one gets away from Sydney to use a space like that it becomes prohibitive because of the cost of a flight or the cost to drive and the cost of accommodation et cetera. In fact, it becomes a disincentive. One of the ladies from Wagga Wagga mentioned it again earlier. Whilst it is supposed to be a regional asset, once you get past a certain distance it becomes prohibitive.

Ms de SARAM: It becomes incredibly costly. That is of critical importance in the local innovation networks we are in the process of establishing so that you do not have to come to Sydney to benefit from that.

Mr DAVID HARRIS: Will they still be able to talk to Stone and Chalk and people like that?

Ms de SARAM: Yes. If you do not have access to that kind of intelligence and learnings we are failing.

Mr DAVID HARRIS: These regional hubs would have a standard issue of video technology and that sort of thing?

Ms de SARAM: I will need to check on that. Again, it is driven by what the community ask, "This is what we need the funding for." In this day and age I would really like to believe that we have the ability to stream information and tape information and get that through to the regional centres. I spent seven years of my life in Orange working for the Department of Agriculture way back. Recently I was at Orange talking with the people at TAFE. We were talking with the business support people who are doing leadership training about innovation. I said, "Do you have the people from Jobs for NSW taping things for you and sending it through or video conferencing so you can learn from that?" It was a suggestion on my part and is something that I will be actioning. That is so, so important. My family worked in TAFE for many years and the Government wants a strong TAFE. They are ways in which we can get information by leveraging resources that exist and that are created for a variety of purposes, but for these other purposes also.

The CHAIR: I am glad you mentioned TAFE. The new connected learning centres have the technology and processes to be very conducive to innovation and start-ups, et cetera. Is there an intention, for example, to utilise existing taxpayer funded properties such as these new connected learning centres to also be, where appropriate, innovation hubs?

Ms de SARAM: Jon Black, the head of TAFE, is very interested in better utilisation of those assets. We also have the \$30 million Skills for Business program, which is to be rolled out as part of the NSW Small Business Strategy, delivered by TAFE. That is the fully subsidised business management, digital and financial skills training for New South Wales small businesses. Again we have an example where TAFE is going to be at the forefront of meeting that need.

The CHAIR: In answer to an earlier question you talked about evaluation and value for money.

Ms de SARAM: Yes.

The CHAIR: How do you quantify that?

Ms de SARAM: It comes back to the intent of the program and working back from there in defining some sensible measures and proxy measures as indicators of success. With each of these programs there will be key indicators that we will define that will allow us to evaluate the programs. So if the intent is job creation, clearly the number of new jobs created will be one of those indicators. But I would say that each of these evaluation programs needs to be targeted or tailored to the particular programs being evaluated. I do not think there is a one-measure-fits-all approach.

The CHAIR: As it is taxpayer dollars, most people would ask what the return to the taxpayer is. Hence I am asking how do you quantify that?

Ms de SARAM: It is perhaps not a return to the taxpayer; it is a return to the State of New South Wales.

The CHAIR: Which is owned by the taxpayers.

Ms de SARAM: Yes.

The CHAIR: I get the concept.

Mr GREG APLIN: We talked earlier about awareness of available services and the Committee has heard that the Business Connect program could be better publicised in regional areas. How is the Business Connect program currently publicised and how are start-ups encouraged to make use of it?

Ms de SARAM: For example, when Jobs for NSW advisers are out in the regions talking with start-ups and communities they will naturally tell people about the Business Connect services. Our Business Connect advisers have been educated in what Jobs for NSW offer and the opportunities that are available there. So that cross-fertilisation that you spoke about earlier is also there. Through Business Connect we have a number of different roadshows—for example, the Business Connect bus goes out to local communities—it is very visible—and people can come through. If you are suggesting that we could look at a better way of informing people about the Business Connect service, I am very happy to receive that feedback.

Mr GREG APLIN: I do think there is a need to do so and we need to find its connection. Is it connecting with the people who are likely to use it most at a time that suits them? That takes us to awareness in a different form—namely, to publicise the role of government in challenges. You have mentioned the innovation launch on page 11 of your submission. That provides an opportunity for networking and mentoring for start-ups. How does the Government play a role? Are we talking about sponsorships? Are we talking about prizes? That grabs people's attention and provides opportunity to connect to other services.

Ms de SARAM: There are a range of different approaches that we take. Mr Aplin, can I come back to one previous question that you had around Business Connect first and foremost? I am looking at this handout,

which I can give you on the Business Connect service and some key statistics around its availability and the number of days—it says here that more than 150 bus service days to more than 110 communities. So people are going and advertising the availability of this.

Mr GREG APLIN: I personally am very familiar with it. I am just reflecting the view of some of our witnesses.

Ms de SARAM: Fair enough. Let me come to your latest question. I would like to give you an example of a business that needed our assistance. I am going to leave this with the Committee—I have eight copies of it. I am going to give you two case studies around start-ups and the level of service that we provide, if you do not mind. I am sorry if I have lost the train of my thought here. I think these two examples will give the Committee a really good illustration of how Jobs for NSW works.

The first case study is an example of Binary Beer in Wollongong. This comes to the prizes, sponsorships and the like. The New South Wales Government, back in November 2016, sponsored an event. It was a global business boot camp mass challenge. Do not ask me what that is, please. It was a New South Wales Government sponsored event where we had Binary Beer first come to attention. It was then assisted to go to a global pitch fest in Boston. Binary Beer were finalists there. Binary Beer then applied for a Minimum Viable Product grant in Jobs for NSW for \$20,000. It was granted that in March 2017. This is a Wollongong-based start-up. It was in a prime location to tap into—forgive my pun—the global brewing industry. Through these various challenges and pitch fests, they were able to come to the attention of global partners. They needed some assistance to test their concept. There was a Minimum Viable Product guide given to them, which I think they co-funded. There was an investment made by the company and now they have gone onto global success.

Mr GREG APLIN: That is a great illustration of reaching the target market. I think the point I was making there—and it has been desired by some witnesses—is that connection then to the other services provided because you are reaching the very people who are asking for that information, but probably do not know where to obtain it.

Ms de SARAM: I take the point from today that we need to get better at giving people better quality information about services that are on offer—the wraparound services—but also taking feedback on the timeliness of our processes, as well as giving people more information about why they were not successful. Have I captured that correctly?

Mr GREG APLIN: Yes, thank you.

Mr CLAYTON BARR: Can I just add, as long as the language is easy-to-understand language.

Ms de SARAM: Yes.

Mr CLAYTON BARR: I note that the submission from the Government was back in July 2017 and here we are in May 2018. It is almost 12 months old.

Ms de SARAM: Yes.

Mr CLAYTON BARR: On page 7, under the heading "Jobs for NSW", the last paragraph reads in part—and I will read the part that I am interested in: "The start-up program through Jobs for NSW comprises Minimum Viable Product and Building Partnerships grants. To date these grants have helped more than 107 new start-ups, with 51 of these based in regional New South Wales."

Ms de SARAM: Yes.

Mr CLAYTON BARR: Obviously, those numbers will not exactly be accurate now. What I am really interested in is, in particular, the regional successful grant applicants. Geographically, where are they? Were they linked into an incubator or a hub at the time of writing their successful grant application? I want to tease out and test whether being in touch with an ecosystem—

Ms de SARAM: So, the causality?

Mr CLAYTON BARR: Yes. I want to know whether that lends itself to more success.

Ms de SARAM: Yes.

Mr CLAYTON BARR: I think that would be something that is really interesting for us to explore. I understand that you would not have those details and that data necessarily on hand at the moment, but I wonder if you could take it on notice and provide that? Or, do you have it?

Ms de SARAM: No. One of the things I am happy to leave with you—and I brought it as part of the pack—is Jobs for NSW regional start-up funding and what has been allocated between 2014 to 30 April 2018. I thought that might be useful for you on a map.

Mr CLAYTON BARR: That is an amount of money and a map?

Ms de SARAM: Yes, it is. It is 69 regional grants, Minimum Viable Product grants, and Building Partnership grants. What you are saying is: is there a correlation between the success of those applications and incubators?

Mr CLAYTON BARR: That is what I am asking, exactly.

Ms de SARAM: I will take that question on notice. Just put that overlay on that.

Mr CLAYTON BARR: Yes, thank you.

The CHAIR: I think, as an overarching thing, would it be possible where we have statistics and information that is relevant to a time frame in here, perhaps we could get an updated submission with up-to-date information, if that is possible?

Ms de SARAM: Yes. I am happy to do that.

The CHAIR: Would you like to table those documents?

Ms de SARAM: I am going to table those documents. I have some documents here that I do not know whether you will find useful or not. It is the regional landing pad—some background information. You may already have it, if you visited the start-up hub.

The CHAIR: Table it anyway.

Documents tabled.

The CHAIR: The names of the start-ups in that document, are they fine to be published?

Ms de SARAM: No. What I will do is go back to the office and generate a report for you of what is already in the public domain and release that to you. It will be as current as I can give it to you.

Mr CLAYTON BARR: And/or you could table a document that is not for publication.

The CHAIR: This is information for the Committee only, not for publication, where it has names of start-ups?

Ms de SARAM: Chair, may I check with my colleague?

The CHAIR: Yes.

Ms de SARAM: They are both public.

The CHAIR: We are just clarifying to make sure that things can be published.

Ms de SARAM: But also, if there is information already in the public domain that you want us to package in a slightly different way for you, I am happy to do that.

The CHAIR: That may form part of what I am about to ask you.

Ms de SARAM: Okay. I will not put the pen away then.

The CHAIR: You will not need the pen for this one, do not worry. It is a simple yes or no.

Ms de SARAM: All right.

The CHAIR: If there are no further questions, thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing. The replies of 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?

Ms de SARAM: Yes. Of course I would be happy to.

The CHAIR: You did not need a pen for that one, did you?

Ms de SARAM: Yes. I have to copy that down as a commitment.

The CHAIR: It will be in *Hansard*: Don't worry about it. Ladies and gentlemen, that concludes our public hearing today. I place on record my thanks to all the witnesses who appeared today. I also thank the

Committee members, and in particular the Committee staff and Hansard, for their assistance in the conduct of the hearing.

(The witness withdrew)

The Committee adjourned at 5.01 p.m.