

CORRECTED VERSION

RURAL AND REGIONAL COMMITTEE

Inquiry into the opportunities for people to use telecommuting and e-business to work remotely in rural and regional Victoria

Barwon Heads — 6 November 2013

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Witnesses

Mr T. Hubers, manager, and
Ms A. Hubers, assistant manager, StartupCloud.

The CHAIR — Welcome to the inquiry of the Rural and Regional Committee of the Parliament of Victoria into the opportunities for people to use telecommuting and e-business to work remotely in rural and regional Victoria. I hereby advise that all evidence taken at this hearing is protected by parliamentary privilege as provided under relevant Australian law. I also advise that any comments made outside the hearing may not be afforded such privilege. For the benefit of Hansard, Todd and Alison, could you give your names and business address, please?

Mr HUBERS — Sure. My name is Todd Hubers. I am from StartupCloud at 169 Ryrie Street. Alison Hubers, my wife, has the same address.

The CHAIR — Good. Thank you very much for coming along and for the work you have done. Now, your presentation — do you want questions as you go or at the end?

Mr HUBERS — At the end. I will just briefly tell the story of how I got to work here, and then that should be a good time to start questions.

The CHAIR — We will have a discussion at the end; that will be fine.

Mr HUBERS — All right. I studied at Deakin University doing a bachelor of business IT (honours). That included industry placement as well, which was a great opportunity, and came with a scholarship. As I said before, Alison, my wife, is a qualified dental nurse and is starting up her own business as well, a software business.

At Deakin University I did onsite computer repairs. So I guess I started an entrepreneurial pathway early on, just to pay for petrol for my car, a Ford Escort. My honours project was very research focused, but I wanted to really get going and start something so I used that as an opportunity to start building an application and some software that I wanted to commercialise afterwards, and I found a way to make it a research project. I had this perception at the time that if I had an idea, I could go to someone and trade it in for cash. Obviously that is false, or generally false, unless you know someone who is willing to do that straight off the bat. I was not aware of any Melbourne start-up places at the time, any incubators or anything like that, so I ended up starting up my own software business, Alivate. I was contracting first for Barwon Health but still wanting to commercialise products, still coming up with ideas and wanting to commercialise this initial idea I had.

It was not long before I was working from my garage. We bought a house, and I got my brother to fit it out as a nice office — it was not just any garage — and we grew from there. It got to about three people, and I found out on a website that it was technically illegal to have three people in that garage, so I thought we would do the right thing and move out into a proper office. We looked over a long time period to find the right place. We found a place, and I had a mate come back from London who was talking to me about this idea of coworking that he had seen, so I decided to fit it out that way.

Since that time there have been local calls for an actual incubator. I was really focusing on coworking, looking for salespeople, people who wanted to travel to Melbourne, who maybe for one or two days would not do that but would stay in Geelong. We would give them the ability to do that, and perhaps one day they could work from home. Because of my software business, I did not really develop that idea, that coworking space, as well as I should have. I still did well with the software business, but that infrastructure was there and it did not get utilised. With the calls for an incubator, I decided to put all my focus into this space. I engaged with some Deakin arts students from Deakin University's Waterfront campus. They helped to put up a few artwork pieces, which really brought the place alive. There were a few other structural changes, as well, to the way desks were arranged and things like that to make it a bit more lively.

We currently have three start-ups in the workspace: menuhub.com.au, treasuredmems.com.au and armourbackups.com.au. Each of these businesses, except treasuredmems.com.au, is actually a technology business using web technologies. The idea is that we help them get private investment. I think one of the biggest impediments to start-ups regionally is to gain that private investment. For starters, there are lots of people in Geelong who could provide that funding — the capital is there — but there is not that culture. It is actually beginning. There is a group called Geelong Business Angels, which looks like it may form, but with all of that we are trying to engage with them.

I am still running a business myself on the side as well. Getting this to come together takes quite a lot of my time. I will not stop committing my time, but wherever government can help facilitate those connections and continue developing those relationships between these people in groups, that can help private industry.

We also have found that a common message that resonates in Melbourne is the lifestyle of Geelong. We have done a lot of networking at what are called meet-up events. There is Silicon Beach, which is a very active event. StartUp Health Tech, Lean Startup and Disruptive Startup are all grassroots groups. Some of these attract 100 people from all over Melbourne and the Geelong region. I have spoken to people about perhaps coming to Geelong and working from there for maybe a week. After work you can go down to Torquay beach, or you can go down to Eastern Beach for lunch. Some of these things are not as appealing in Melbourne.

There are of course benefits between Melbourne and Geelong. I think there are great opportunities in in Melbourne, and I want to encourage people in my coworking space to perhaps also find themselves in Melbourne one day a week or one day a fortnight, but as we develop the funding arrangements, in the way of Geelong Business Angels for example, there can be some unique opportunities for those start-up businesses in Melbourne to even establish themselves in Geelong. If we can particularly sell the economic benefits of living in Geelong, in addition to the lifestyle, we can attract quite a few people.

We have one individual who is a salesperson for BOC. He has found himself working from our workspace two to three days a week. He works one day a week at his house and one day a week in Melbourne. He was working four days a week from his house, but he found that he got distracted a lot of the time. From talking to other people, I believe there needs to be a mixture — not just working from home and not just working on site with your employer, but perhaps also in a coworking space where you can also network with other people, feed off that vibe of productivity with everyone getting down and doing some work.

We are holding some events, which are called hackathons. It has nothing to do with hacking computers. You can look up hackathon up on Wikipedia. It is in the region and you get a lot of people coming together who have technical skills, and they might want to build something. It might be a website that has community benefit. I have a few ideas on my website. A few of them do have community benefits. We are calling a mini hackathon for the moment because we managed to get three people at the last one, so we are just growing the awareness. But we want to have a mega hackathon one day where we have 20 to 30 people and then really get down to business and build something. In the meantime, as I said, we will meet them and we might work on what are called 'bounties', where there are problems with open source software and there is a bounty on fixing those problems. That can be one activity that we do as a community. You can earn some money from those bounties if you succeed. With the collected brains trust from the students, academics and industry coming together to work on these problems, you can have that exposure and meet new people. It also stimulates ideas. When you are working in the industry you will see where there are problems and formulate solutions and have a passion to solve those sorts of problems.

As I said before, I see government as a go-to resource, and I think it would be good to see government help connect various dispersed groups where they would not normally connect. We are also hoping to get sponsorship for these hackathon events so that we can offer prizes. We could have two teams try to build the same open, free community project but in a competitive environment where they can earn some money for the winning team and also get some recognition for their skills.

We are also looking for sponsorship for desks. Start-up businesses are looking for pre-seed investment and there is practically no investor interest in pre-seed investment. That is usually a cycle of investment for friends, fools and families, but not all people have the advantage of having friends, fools and families with a spare \$25 000. Really driven people can get there — if you push hard enough you can get there — but if we could at least have a desk sponsored that would help my business model, first and foremost, to be able to provide mentoring. We could co-locate other mentors. We already have these resources available in Geelong, but we could maybe have one come in a day. You would not have 20 come in at once, but we could have a different mentor come in every day and sit with the people who are starting up businesses.

Another idea that we have had is a contribution for pre-seed funding. If the industry is willing to put in some pre-seed dollars, that is a good indication that it is a fairly low-risk investment, and government, whether it is council or state government, could also contribute to that. If the individual is able to raise, say, \$10 000 the

government could provide another \$10 000. That could help people focus on their business, but it would still require that person to really prove their idea to people in the private sector.

I also run an initiative called nbnoptions.org, which is predominantly a sceptical but certainly not dismissive look at the NBN. We believe fibre technology is great. I encourage you to have a look at that website as well. One of the facts that I have found is that in Hong Kong a gigabit broadband plan costs \$39.44, and that is for the top plan with unlimited downloads. That is cheaper than the entry-level price today for any internet, and when the NBN comes in the prices are slated to go up. In addition to that, the entry-level plan in Hong Kong is \$21.84 for 100-megabit speeds. One of the biggest things that we are advocating on this website is that affordability is just as important as physical accessibility. If you do not have the economic accessibility, then you are going to leave people behind. On our website we have graphed the Australian Bureau of Statistics figures from 2006 which show an obvious correlation between higher wages and more access. At the time it was 80 per cent access if you were right at the higher end of the wage brackets.

We are very much involved in this technology space as Alivate, the company, and our business, StartupCloud. We have plenty of ideas of our own that we are willing to give to people who have the skills, if they cannot think of their own ideas. If we can convince them of the need behind our ideas, then we are happy to give them our ideas for free, and they might turn into a successful business. We just want to see Geelong grow and become a successful technology hub. It would have been great if there had been a thriving technology industry when I left university. Unfortunately that was not the case, but I have found myself building opportunities, and hopefully they are opportunities that will be successful for the Geelong community.

The CHAIR — You have gone over a fair bit of ground, which is all very good. I want to ask about government help with dispersed groups coming together in your coworking spaces. We have had people come in to talk, not so much about putting in a sum of money like \$10 000, but about becoming an anchor tenant, where they would take a percentage of the space and people who work for a department or whatever could come in to work in that space. What are your views on that?

Mr HUBERS — So you are talking about if the government co-locates as well?

The CHAIR — Yes. Say a department that had a head office in Melbourne and had people who commuted from Geelong every day.

Mr HUBERS — Yes, certainly. That is the ideal configuration, where you have an ecosystem of different businesses, not just government. You also want to have some graphic artists in there, people who can build websites, maybe some accountants and maybe a junior from a law firm who comes in one day a week as well. You really want to get a good mix of people. With regard to that day-to-day or operational level interaction that you get in a coworking space, I think that is something that has been lacking a lot in Geelong. We have a lot of ICT Geelong events, which are great and have their place, but you have limited networking time. You cannot show other people what you are doing, and partnerships and deals cannot be followed through. I see real value in coworking spaces in that respect.

The CHAIR — Has Merevik proved to be successful? Is it a stand-alone business that makes a surplus each year?

Mr HUBERS — No, it is operating at a loss; we are not full. As I said before, I have been busy with the software side of the business. That has taken all my focus. It has stayed at maybe 10 per cent or 20 per cent full for the three years that it has been operating. My renewed focus for the business, which we are rebranding to StartupCloud, has been due to calls in the industry at chamber of commerce events for an incubator in Geelong. We have taken the focus away from coworking — which is still possible; people can still use a coworking space — but we are giving a real niche focus now on helping start-ups go from an idea to a commercialised product. That means bringing together the capital and all those other sorts of initiatives.

We are encouraging students, for example, who are coming out of Deakin University to perhaps go to the NEIS program, from which they can get some federal government assistance through DEEWR. That is a great place to start. It could even turn into a space where established big businesses have spinoff ideas and want to start up a business as well. It is also possible for that firm as well.

The CHAIR — With this model and the incubator, once they start to get themselves established, would they move on to somewhere else?

Mr HUBERS — Correct, yes. Once there are more than perhaps three people in their business, they are going to start outgrowing the space. We have 25 desks and 5 meeting rooms. We would expect them to find their own office and grow further. One Australian success story is a company in Sydney called Atlassian. They are a billion-dollar company. I believe they started off above an adult shop, with maybe one or two people. One or two people is the perfect size — even one person — to start off in that space. It is probably when they get that big capital injection or that half a million dollar angel investment that they are going to be moving out of our space, which is regrettable, because they could help a lot more with the whole ecosystem if we could keep them inside. But due to limited space, they would have to find their own space as they grow.

Mr HOWARD — In terms of the coworking space that presently exists, what needs to be done to get that concept developed — which is one thing we are looking at — so that rather than travelling to Melbourne or wherever, teleworkers or people might decide to go to a coworking space? Is it that people in fact find they can work from home quite adequately on those days that they decide not to commute? What are the other issues that you think are relevant that may contribute to why the coworking space concept has not really rolled on?

Mr HUBERS — There are a lot of factors. First of all, I think the biggest one is awareness in our case. We did not have a marketing campaign or anything to promote awareness. We actually talked to local council and the economic development unit about the idea and they just said to us, ‘Oh, it’s great you told us about this. Yesterday we were talking about starting up a coworking space. We don’t really want to do that as a government; we want private industry to do that’. I thought that was great and was waiting for it to start batting customers. It is not their fault; they have their own priorities, responsibilities and focuses. It would have been great to have had a lot of support from it at that time to help them drive a lot more awareness, particularly through the chamber of commerce. I know they are independent but they obviously have all the relationships to get the message out there. Again it was because I could not put enough of my own effort into it as well at that time because I had other businesses that took my focus so I could not put enough emphasis —

Mr HOWARD — But as you were saying before, you found that you were doing some illegal things in trying to put information around stations and so on.

Mr HUBERS — That is right, exactly.

Mr HOWARD — You found that you were advised that that was not appropriate, but it would seem to me that you were in the right area of recognising — —

Mr HUBERS — That was my target market.

Mr HOWARD — If people are travelling up and down, getting in place where they can learn that there is an alternative perhaps — —

Mr HUBERS — Exactly, that was my target market and it would have been perfect if they had gone back to their cars, found that flyer and started giving me calls. That did not happen. I talked to the station, and this is the state government I would imagine. I talked to the people and said, ‘How will I get advertising? I cannot even pay to get this out there’. Of course you do not want that to happen all the time — spam on your windshield all the time. I understand that, but is there any advertising space in Geelong? They said, ‘You have to talk to their contracted marketing company’. I have forgotten the name of it, but it is a French name.

I talked to them and they said, ‘We do not have any advertising assets there’, so it was a dead end. It was the perfect target market but I could not go anywhere. At that time, it was probably right near the start, I was put off and thought, ‘I will put that one aside again and focus on my software business again’. I have come full circle and I am back now in a stage where I do want that awareness in marketing.

Mr KATOS — Where are your premises set up in Geelong?

Mr HUBERS — It is in Ryrie Street. It is near the Village cinema, that block. There is a subway there and it is practically across the road from that. We are above the TAB.

Mr KATOS — I was going to say near the TAB.

Mr HUBERS — Yes, we are above the TAB. Mind Games used to be next door. They have shifted. That is the area.

Mr KATOS — You are very well located there as far as cafes, restaurants and all manner of things. It is an ideal location.

Mr HUBERS — Yes, and we are iteratively working through our brand and seeing what messages work with customers, all those sorts of things. We are just waiting for the right time, waiting until we have refined those messages before we get out there with marketing. Again we have been engaged in social events, talking to people. We have had quite a lot of contact out of that and we are getting some growth out of that but very much we want some sustained and strong marketing.

We have been talking to Bay FM as well. They said that given it has a very community focus, especially the Hackathon, they are potentially interested in getting some air time for that. We are going to follow that up today and try to get the word out there.

Mr DRUM — Todd, have you been through the incubator over at Ballarat University?

Mr HUBERS — No, I have not. I have been to the ones in Melbourne but not in Ballarat yet.

Mr DRUM — There is one there that sounds very similar to where you are angling. It has the backing of the university so that gives it a lot of financial clout. There is the ability to share a receptionist and meeting rooms, to have mentoring and a diversity of industries. It might be worth having a look at how theirs operates.

Can you also just explain why Hong Kong internet would be so cheap? Do they have more competition? Do they have more customers per asset?

Mr HUBERS — I believe it has to do with the density of the population in apartments — connecting one fibre to a building and bang. The whole lot is gigabit speeds. One of the things that has come out of this NBN options website is an initiative called OurNet which I have been researching over three years. It is wireless technology through which you can get internet to suburban houses at 40 gigabits per second for \$5 a month wholesale. I have chatted to a professor at Monash IT I think it was, Professor Arthur Lowery, about the concepts involved in this technology and the ideas. There are some specific novel hardware concepts that make this work.

It is an open design project because I have too many things going on at once. We have made it all public and it will be great to see something like that happen, but I believe there is a lot of innovation that can still happen in the marketplace. That is why I have this website, because I could see that in some senses it could cycle innovation. But like you said, fibre is not bad. In fact I need fibre at my office.

Mr DRUM — It is a bit of an elephant in the room at the moment — what is the NBN going to cost? Once you have the infrastructure put in place and then once you are connected, what is actually going to cost?

Mr HUBERS — Exactly. I have been to some events where they have talked about the NBN and how great it is going to be and what you can do, and they went off and listed all the things you can do today on the internet. They talked about teleconferencing, which you can do on Skype. They talked about social networking, which of course you can already do. It is regrettable that it gets highly politicised around things you can do. There is a lot of talk about broadband, and I would like to see them focusing on start-up businesses which can leverage the broadband that we already have today and in the future — if we can focus on the start-ups, not the infrastructure.

I think the infrastructure is very much there. If someone does not have infrastructure at their home, they can come to my office and have the internet infrastructure there to grow and learn. They can go to their library. There are lots of options. Of course technology will continue to progress. We started off on dial-up at 9.6 kilobits per second, as I said before, but it has continued to move along and I do not think it will ever stop.

The CHAIR — Is there any final message you would like to leave us with, Todd or Alison? Alison, would you like to have a say?

Ms HUBERS — No, thank you.

Mr HOWARD — No, tell us what software you are looking at producing.

Ms HUBERS — I was a dental nurse, and I am creating some business-to-business ordering software online. That is as much as I will say on that.

Mr HOWARD — How is that going?

Ms HUBERS — We have built a prototype, version 1, so we are looking to develop version 2 with my software developer, who is currently very busy. We will put that on the backburner for a bit, I think.

Mr HUBERS — Yes. We are trying to make this StartupCloud business work, and then we will move onto the next.

Mr DRUM — Well done.

The CHAIR — Very good. Thank you very much for taking the time to come along today and give us a very valuable presentation. I wish you all the best with your Geelong Business Angels and your other businesses that you already have up and running, and Alison's businesses. All the best. In about 14 days you will get from Lilian a copy of what Hansard has taken down, and you will be able to make corrections to obvious errors but other than that it will be as it is. Thank you very much.

Mr HUBERS — I appreciate the opportunity. Thank you.

Witnesses withdrew.