

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

Ballarat — 17 July 2013

Members

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Witnesses

Mr M. Vallance, director, University of Ballarat Technology Park;

Mr S. Davies, delivery centre manager, complex systems integration program manager and managing consultant, IBM; and

Mr R. Smith, managing director, Aviarc Australia Pty Ltd.

The CHAIR — Welcome to the Rural and Regional Committee’s inquiry into the opportunities for people to use telecommuting and e-business to work remotely in rural and regional Victoria. I welcome you today, and I also welcome Gerrie, listening over there. 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. Can I ask each of you to give your name and address for the benefit of Hansard.

Mr VALLANCE — Mal Vallance. I am director of the technology park at the University of Ballarat. My address is University Drive, Mount Helen.

Mr SMITH — Ross Smith, managing director of Aviarc Australia, suite 7, Global Innovation Centre, University Drive.

Mr DAVIES — Steve Davies, Ballarat regional lead for IBM global business services. The addresses is University Drive, Mount Helen.

The CHAIR — In your presentation today, would you like questions as you go or questions at the end?

Mr SMITH — As we go.

The CHAIR — I will let you lead off with some introductory comments.

Mr VALLANCE — I might lead off, as director of the technology park. Thank you, Mr Chair. I suppose it will be a bit of a tag team effort today. Aviarc and IBM are tenants of the University of Ballarat, or tenants of the technology park. I might briefly provide some context as to what the technology park is about. I know Damian and Geoff probably have a good handle on it, but for the benefit of all, the technology park was established in 1995. We have obviously been operating 17 or 18 years in that that sort of time frame. There are about 30 enterprises here and about 1500 people. IBM is obviously a substantial player within this environment, with in excess of 700 people. The park has obviously placed significant emphasis around information and communications technology, and it is making a significant contribution to the economic and social advancement of the region. We know from research that has been done that it contributes about \$100 million a year to household income. It contributes about \$300 million a year in terms of economic outputs, and it contributes about \$200 million a year in net annual value. It is making a significant contribution to the region.

Another introductory comment I would make is that it is one industry sector that is expanding within the region. We are opening up additional land to the east here — another 22 hectares of land that will basically replicate or duplicate this environment. We are also opening up a business operation within the Ballarat CBD. That will occur from about February next year, and there will be another 200 jobs if we can fill the building. There are a whole range of things happening around the information and communication technology space that is really important to this region.

To get to the nub of it all, I suppose, most of this business activity associated with information and communication technology is underpinned by appropriate infrastructure. What is really important within this space is that we have got capacity to support the industries that are here. We have just recently had Primary Health Care move into this space. There are 30 employees developing software down there. What is really important to them is, one, that they have been able to get skilled labour. But of equal significance is the fact that they have been able to access the sort of infrastructure that enables them to communicate and connect with other parts of Australia and parts of the world, operating on a global basis.

What we are trying to do here is grow the business and the workforce. Implicit in all this is that people are able to work in a flexible way. Hopefully this will be validated and ratified by my colleagues to the left, but people are working from home, from work, from trains — from all sorts of locations today — and we need to support and assist them in that regard. Every day something like 4000 to 5000 people travel on the Ballarat train to Melbourne. There is so much lost time as a result of them travelling on the train. Many people travel 3 hours a day, and as a consequence they are struggling to get adequate access to broadband

facility. If we can do something about that, we can improve their productivity. That is an aspect that I think is really important.

The CHAIR — If I heard you right, you said that \$200 million of business is grown here.

Mr VALLANCE — The value of the outputs from the park are about \$300 million a year.

The CHAIR — What programs did you have in place from when the infrastructure got here to actually grow it up to the \$300 million? What did you have to do to get people to come and adopt it?

Mr VALLANCE — The reality is that back in 1995, IBM was the initial anchor tenant, so it was the first major investment, with something like 80 people. Over the time we have been able to grow that business. What has been important in this has been the role of the state, because the state has been able to provide us with money for capital development. Certainly a number of your colleagues are well and truly aware of that. There is IBM across the road and the new building that we put up in 2009, which was a \$10 million development. The state government provided a \$5 million grant for us to put up that building, and the university put in the other \$5 million. That sort of assistance is really critical.

The CHAIR — That is assistance for infrastructure, but what do you do to actually attract people to come and fill that infrastructure and to use it?

Mr VALLANCE — It is obviously driven by the tenants themselves. They have defined the business activity. But we also have to provide the skilled labour or try to assist them to find the skilled labour. If you look at IBM's business locally — Steve is probably more attuned to this than I am — I would estimate that probably about 30 per cent of its workforce locally would be either students or graduates of the University of Ballarat. That is an important part of the process.

We also have to ensure that there is adequate broadband capability within the park. We have three providers of optic fibre within the park. That has been really critical to the process. We have probably had a significant advantage over other regions in that regard because we have had that capacity. With the NBN coming through, the market will probably be evened out, but time will tell.

Mr TREZISE — Is it relevant and are you able to discuss the business that you mentioned before? You talked about a future business employing 200 people; are you able to describe what that business is?

Mr VALLANCE — A business that is coming?

Mr TREZISE — Yes. You mentioned before that you are starting up a business in the Ballarat CBD.

Mr VALLANCE — I should clarify that. What we are doing is redeveloping the brewery building in Lydiard Street. We have a number of smaller players lined up to go into that building. The building will not be fully occupied, but there are some pressures on me, obviously, to get that building optimised within about a 14-month period. That is the business equation.

There are lots of reasons why people want to invest in regional locations. One of the critical things that I see is that if you can provide a skilled workforce, there is certainly a cost advantage also in operating in Ballarat. I have spoken to people in a number of the major brands and that is an important consideration, the cost of overheads and the cost of labour. If we can ensure that they can continue to operate nationally and internationally in a competitive way, then they will continue to invest in regional locations.

Mr HOWARD — Can I also follow up: as well as the larger businesses that you have obviously attracted as key players within the technology park, there has been the plan, through this centre, the Global Innovation Centre, and so on — and presumably in the brewery building — to act as an incubator for start-up small businesses. I am wondering if you can just talk about how that can work?

Mr VALLANCE — This building and the building to our west, the Global Innovation Centre, are essentially incubator environments. We have very small spaces within this building, 50 square metres to about 100 square metres, and then the Global Innovation Centre has larger spaces. The theory — theory

and practice, as I often say, diverge — is that we start from the smaller spaces and then transition them across to the bigger spaces. Both these buildings are completely full. Part of the challenge that I have at the moment is to find additional space. We have in excess of 200 people working between these two buildings, but it is important to be able to provide that sort of environment for people.

People often start at home. They might start off at home in a very small way and run their business with perhaps two or three people. They come to us, they will take the next step and then they might ultimately progress to the Global Innovation Centre. There are a lot of good stories here about how people have progressed over time. Ross, who is next door, is a great example. He will tell you about that in a sec.

Mr SMITH — We started here in about 2005. I am a wholly owned subsidiary of a Kiwi-based company, but I do not have the accent; I am an Aussie coming back home. We decided to come back home to Ballarat, never having lived here, and discovered a tech park here. What Mal is talking about are barriers to entry — making it easy for small guys to start up. I started up here as a single person in a 50-square metre office, moved upstairs when we hired more people and now we are over on the other side. I consider us to be a regional exporter. Most of our expenses are here in the region — and I cost those at about 85 cents to the Aussie dollar, by the way. I think the Ballarat dollar is about 85 cents to 90 cents.

We export. We get all our business out of Melbourne, Sydney and Canberra. We do software development for very large clients — major clients: Medibank Private, Customs, the Department of Justice, VMIA et cetera. We are now investing in people in Melbourne, to be close to the client — which is necessary for our business — rather than trucking people in and out of Ballarat. For us, the beauty of telecommuting is that when I cannot get the resource in Ballarat, I can go to Melbourne and pay 100 per cent of the Aussie dollar and those guys can work from home for a Ballarat headquarters. For me the advantage of telecommuting is that I do not have to close down in Ballarat and move to Melbourne.

I do not know if Mal is underselling the value of the tech park for a start-up, but let me tell you that in coming through a place like this the barrier for entry is almost zero. You can walk in here. I did not know it at the time I started, but in upgrading to each one of those three offices there was no argument about, ‘Well, you’ve got so much of your lease remaining, and you’ve got to do this and the upgrade costs that’, and whatever. They even threw in some free furniture for me. It is that sort of arrangement.

The CHAIR — Any steak knives?

Mr SMITH — No steak knives, no. I keep my eye out for a few spare pies every now and then, but that is slowing down a little bit. It is a quite collegial atmosphere as well. Even though we do not traditionally get a lot of business out of Ballarat, it is good to understand what is going on there. The tech park environment is leveraging off a pretty good environment that is available in central Ballarat, which is good mobile and good internet. As I say, it allows me to take on people who may have a rubbish environment at home and move them into the tech park to work here, when they are local, which they all do. I have three people who just walk to work. They are all ex-University of Ballarat; they just walk to work. But in the city when I need to ramp up I can get people telecommuting here. We have grown — this year it will be about \$2.5 million — in confidence. We are currently ramping up to about 15 people by the end of the year — not a lot, but we started at zero. There you go.

Mr VALLANCE — Ross has sparked something else. If you look at primary health care — should I say this? Primary health care just moved in. You probably know a fair bit about the organisation. It is a major brand within the health sector — a big publicly listed company. They looked at three locations to come to in Australia: Brisbane, North Ryde in Sydney and Ballarat. They ultimately chose here because they looked at the costs of operation but also, as I said before, the ability to get skilled labour. Of the 30 or 35 people they have there at the moment, 15 are IT graduates of the University of Ballarat; of those 15, 5 are masters students — and they are chasing us for more labour. This is the important thing: people work so flexibly now, particularly within the IT space. They work all over the place: from home, from the train — if they can get broadband access — and from places like this.

What we are doing with the development, which might be of interest to you, is that with the new development at the brewery building we are setting up what is called a coworking centre and committing about 100 square metres to that. People might come in there and work for two days, they might work for two days in Melbourne, they might work a day at home — that sort of concept. But that is the reality of life now; that is what is happening. We are trying to support that in whatever way we can.

Mr DAVIES — Mal, can I add to that as well that IBM and Aviarc are clearly two different sizes of institutions. The story with IBM is not dissimilar in that we found that, one, the tech park is very flexible in terms of helping from an infrastructure perspective and networking et cetera. The tech park owns all the buildings and establishes all that infrastructure for us, and we have the pleasure of leasing. Our cost savings are very similar to the figure that Ross gave a few moments ago, possibly even a little bit better, so it is very attractive to our clients because we are then able to onsell that to the client — pass those savings on.

That issue around flexibility is something that is ingrained within most IBMers, and particularly within our group, the global business services, in that it is almost a way of life. We talk about our organisation as one that encourages work-life integration. We do not talk about work-life balance anymore; we talk about work-life integration. We provide everybody with the ability to fundamentally work from wherever they are. That is as simple as providing them with a laptop and a mobile phone with data network access, which does mean that a lot of our staff do make use of those flexible options.

I have a project manager who happens to run operational software for a large Australian mining company, the WA operations; it is run out of the University of Ballarat. He lives 3 minutes walk away, but he chooses to actually work from home a lot of the time. He comes into the office for meetings, or if he has to deal with one of his staff one on one, he will come in here. He lives really close. On the other hand, take me as an example. I live in country Victoria, in Woodend over near Mount Macedon, so I drive; I do the opposite. When I come here it takes me an hour to get across; I drive 100 kilometres to get here. But if I do not have any meetings, or a meeting is only of one or two, then we will use remote telecommuting. We will dial into the meetings; we will work remotely.

We are working with people from India, from Malaysia and from the US and Europe. We have become an organisation where it really does not matter where you are physically; we have all got those facilities to work remotely. As a result, we are also then able to make the most efficient use of footprint in terms of desks. We are moving a load of folk into our new IT services centre across the road, and we are going to be allocated fewer desks than the head count in our group, on the basis that we monitor what sort of utilisation there is of desks, and we then scale accordingly and have effectively job-sharing or what we call hot desks.

Mr DRUM — Steve and Ross, when you are looking to hire someone, you take away that imperative for them to actually be here in person. Does that improve the calibre of the applicant?

Mr DAVIES — I think we are able to draw on a much wider pool of resources, that is for sure. It opens up the scope. Let us talk even of a bigger picture. We are able to go to our clients with a much wider pool of resources because we are able to work, as far as the client is concerned, remotely. I do not have a single client — I support about 20 large Australian corporations, and I do not have a single one of those — based in Ballarat. We are providing those services to people like Qantas and Jetstar, a large mining organisation, NBN, a lot of government departments — the Department of Transport in Victoria and the Australian Taxation Office. We have just won a large deal there, which, interestingly enough, is dependent on some secure facilities which Mal allowed to happen down at the tech park. We have people who come here to Ballarat to do work for Canberra on that basis. The ATO is happy with that, because of the network, the infrastructure and the ability to do that effective telecommuting back to Canberra. Of course Canberra rates in IT are tremendous. It is very expensive doing business with the constraints on resourcing in Canberra. This is a way we are able to provide a service to the government organisation and save significant costs.

Mr HOWARD — Steve, have you done any assessments on what percentage of your staff might be teleworking for more than one day a week? Is there some measure?

Mr DAVIES — Sure. I have got some rough numbers. In terms of telecommuting at least some time, we have three different types of telecommuting that we formally recognise. The first one is ‘flexible’; it is effectively open to anyone. What ‘flexible’ means is that you have an agreement in place that when it is suitable you can make use of telecommuting effectively. You may need to look after children or you have the plumber coming around or you start having meetings, so it is more effective to work remotely. You have got to focus. I am going to suggest that in my part of the business — and I am only one of the three towers here in Ballarat — probably as high as 80 per cent make use of ‘flexible’. When it comes to ‘regular’, which we define as the same day or two days every week, it is a much lower percentage; I would estimate it at around about 5 or 6 per cent. It is much lower.

Mr TREZISE — Steve, is that by choice?

Mr DAVIES — The reason why it is lower?

Mr TREZISE — Yes.

Mr DAVIES — A lot of people like to come into work; there needs to be social contact, fundamentally. There is work that is more effectively done remotely, but the nature of our business is such that we all need to be flexible, and I am going to add the word ‘mobile’ as well. A lot of what we do is project based. Projects come, projects go, and if we do have telecommuting arrangements in place to regularly telecommute, it is only ever up to the end of that project. While the project can sustain it, then we are forgiving of that, or encouraging of it, I should say. But that said, I have some — —

Mr DRUM — A third category?

Mr HOWARD — Third category, yes.

Mr DAVIES — ‘Permanent’, so five days a week full time, or if they are four days a week, part time. I have some case studies here. We work with a resource manager; this is somebody who helps allocate people or resources into projects. He operates out of country South Australia. He is a member of the local CFA and he does all that good community stuff, and he is able to do that because he is remote. He has been telecommuting permanently, and I have been working with him almost daily for about 10 years now. He does a fantastic job because he is so focused. He has got all the stuff he needs, but he is also able to pick and choose his interruptions, which you do not get if you are in an office environment.

The CHAIR — What percentage of your staff — you went from 80 per cent that are flexible — —

Mr DAVIES — I would suggest only 5 or 6 per cent are what I call ‘regular’, but when you get down to that level usually there are more formal agreements in place.

The CHAIR — The bloke who is full-time remote — you have only one of them?

Mr DAVIES — Yes. I would suggest very few are full-time remote. There are the odd one or two. But it is actually very challenging, working remotely all the time. You have to make sure you keep in contact with people, with your teams, and there is an aspect of needing to be very good at your job as well, and very disciplined.

Mr HOWARD — And that is significant, specialist staff?

Mr DAVIES — Yes, but that is another very important point: with an organisation as large as IBM we need to be very flexible with our resourcing pool. So when we need a specialist in a particular skill we cannot pick and choose and demand that it is somebody in Ballarat or somebody in Melbourne. If the skill is in Sydney, then they work remotely. We run an account called — I can share the name — Energy Australia, and our invoicing team operates from home, so they are two examples of permanent. They are both part-timers. One is four days a week, and one is three days a week. They job share, so they give us five-day-a-week coverage plus a bit of extra capacity.

They are both mothers, and they like the flexibility in terms of dropping kids off at school for 9 a.m. and picking them up at 3.30, and they both work from home. In fact sometimes to get the social contact they actually work from each other's homes, so one will go to the other's house and they will work together. They can only do that because they have that networking infrastructure and the telecommunication tools. That is another important aspect of facilitating telecommuting. It is providing people with the ability to do that.

So pretty much everyone in our group gets a flexible phone number. You can answer your phone on your laptop or your mobile device, but it is a number that follows you around Australia, or if you are working in hot desks, the equipment allows you to basically log on and say, 'Hey, I'm here'. So you have a landline, but it is all effectively the same number.

The CHAIR — Do any of your regulars use hubs?

Mr DAVIES — Not really, but there is an argument to say that the way we use a building like the one next door is like a hub because it is a group of people who will come together, working on a project — the ATO project that we are just kicking off is an example of that. We will have 16 or so staff — and I have to be cautious with numbers, sorry, but we have a group of staff — who are operating here and then a larger group of staff in Melbourne. So the group here are coming together to operate in that sort of hub concept, but it is not a hub in the sense of a generic shared space.

Mr VALLANCE — Just on that question, there are tenants here who will use hubs outside this region for, I suppose, extra stimulation, extra engagement and interaction with other professionals. I know one that is in this building here. It is a small business employing four or five people, and he goes to Melbourne every month to mix — he is really keen to learn and meet with a broader cross-section of people within his profession, and he really benefits from that.

Just one other thing — Steve sparked something in my mind — is that often, if we get small players who come in here and want to set up as part of the incubator environment so they can continue to operate from home, the reality is that that social contact, that interaction with others, is a really important dimension. Steve has touched on that, but it really is an important consideration. People can do it for a while — there are people who do it all the time — but my experience over six years is that most people can do it for a while but they get to a point where they want to be in a more vibrant, dynamic environment, and that is probably why we have done reasonably well here.

Mr DRUM — Do you think that the advancement in technology in the next few years will lead to even more opportunity, not just with more people doing telework but actually with more business opportunities that take advantage of increased bandwidth and increased speeds and so on?

Mr DAVIES — I think there is no doubt about that. The way technology is changing means there is a need for more and more bandwidth — bandwidth is the facilitator. If you go back 10 years and think about all the technologies that all of us were using 10 years ago, we could barely imagine what we are doing today, so while we may not be able to foresee that, I think it is critical. I think technologies will change, and an organisation like IBM and of course Aviarc will always try to remain at the forefront of that technology change. There will be innovations that we can possibly only dream of at the moment, but of course IBM and again Aviarc will want to be part of that innovation change. That is fundamentally how we make our money and how we export.

I nearly forgot to mention that the other thing we find is that we actually provide service into Japan out of Ballarat, through Qantas and Jetstar — and Jetstar Japan in particular. There is the ability to work remotely and the ability to have that broad pipe, but we have the technical skill. We have a niche market, and I am referring particularly to the self-service check-in kiosks that we supply out of Ballarat, and all the software comes out of Ballarat. That has enabled us to go out to a broader market, and now we have other international carriers approaching us to see if we can do the same thing for them. So they are coming here to Ballarat saying, 'I like what I see when I travel through Melbourne and Sydney airports. Can you do that

for our national carrier as well?’ — in whatever South-East Asian country it might be — ‘It looks pretty cool’.

Mr SMITH — I think the other side of that, Damian, is that people are getting more used to what they can get out of technology and what they should be demanding from technology. Everyone has smartphones, most of us have iPads and we all expect a level of user experience from them that the industry is still a mile away from delivering at the enterprise level — at the large client level. You look inside your own government support stuff, and not a lot of it comes close to being of that quality. So the opportunity for small players like us who are focusing on design of applications and getting user requirements out really quickly at the customer experience end is growing exponentially.

There is a whole pent-up demand that is coming on now, as my generation becomes computer literate, just from carrying one of these. I look at my daughter’s generation coming up, where this is all hard-wired into them, and they just demand that level of technology. So there is going to be a huge explosion, and we do not know yet — IBM may, but I think the rest of the industry does not really know — how to cater for that. We are struggling to catch up, but once we do it will be incredible, and once again there will be no barriers to entry in the regions for players who want to do that, so long as there is an environment for them to be able to do a low-risk start up.

Mr HOWARD — Ross, your business’s plans for the future? You have started off here, and now you are over the road. Are you expecting your business will expand so that you need to move to a different site, or do you just expect that maybe your staffing level may increase but you will use them from their own sites?

Mr SMITH — Geoff, because we are under parliamentary privilege, I can say some things, right? We are building technology out of New Zealand — who knew technology would come out of New Zealand — that is unique. I will not try to explain it to you, but I have tried to explain it to the guys at IBM, and IBM have finally discovered that there may be a niche in some of their markets. So we have been plugging along since about 2004, building this stuff out of New Zealand, taking it to the market in New Zealand and Australia, to the extent where — and this may sound like a stupid statement to make — we now know what we have got, and we can now position what we have got inside a whole bunch of IBM offerings, like their Smarter Commerce offerings and their Smarter Planet offerings. I fully believe that this time next year you will see us being an integral part of the IBM offerings being taken to the market, because every small player has got to have a big friend; otherwise you are wasting your time, and you will only ever be a small player.

We have a couple of proposals in place at the moment that Steve may or may not be aware of, but I think we have spoken about a couple of them. I think we will see IBM actually taking us into their client base as an integral part of their Smarter Commerce offering. If that takes off and we become a part of that offering, then IBM will become a part of their furniture, which means we will have to ramp up pretty quickly here or anywhere we can think of. The advantage of Ballarat is that we can centralise a factory approach to software development. We can get people in there, we can get true economies of scale.

Software development at its end point is really just a factory process. You churn requirements in one end and get code out the other end. But you can run it as a factory. You get more load; you put more pipe on. At the other end where you are really talking to clients, eliciting their requirements and delivering nice new customer experiences for them, it is a bit more bespoke, a bit more high level — or whatever. With us being part of a large player’s inventory I could see us building the factory here to an extent that — I will not go too far. Don’t write a number down for me, Mal! It would at least be double or triple what we are facing now, so there will be that scope here, but at the same time that factory will have to support regional locations, and we are about to open an office in Melbourne shortly, just so that I can give people a place to come and meet when they are in Melbourne before they go on a client call.

We did some pretty big work into customs in Canberra for nine months. For nine months I had a guy commute from Ballarat to Canberra. Boy, that was hard work! That was really hard work — great project, hard work. The department of employment and workplace relations — does anybody remember

WorkChoices? I try not to mention it too much. WorkChoices set us up. I should not have said it, should I. I should not have said it We got a whole pile of work here at Ballarat out of WorkChoices — —

Mr DRUM — We were an apolitical committee about 2 minutes ago!

Mr SMITH — I will not mention green loans then! We were flying people up to Canberra for a certain amount of stuff but then building most of that out of Ballarat. If I can scale that factory by getting enough people locally to work here or hiring them to telecommute with the hub here, then I will be able to cater to that. Geoff, I can see no reason why I cannot do that. We have just advertised for more people. I have two more interviews this afternoon. We are about to take another two to three people on over the road. We are getting really good candidates. People are coming up from Geelong, actually.

Mr DRUM — If you get any bigger, Mal will kick you out anyway!

Mr SMITH — Maybe he will get me to pay my rent!

Mr DAVIES — Ross, can I add to that, because you spoke about something that reminded me too — this factory concept. IBM operates as what we call a globally integrated enterprise these days, and we have specialisations that actually exist in various countries. There is one specialisation — I cannot mention what it is, but suffice to say we have five global delivery centres scattered around the world. But we do not have a delivery centre that is supporting South-East Asia, which we see as a future market because of the age of technology and Asia being slightly behind Europe and America, for example, in terms of upgrade. We know that China and other South-East Asian countries are going to need this experience, so we are actually exploring the option of setting up a factory model which will be using both students from the university, plus ourselves. We are again only able to do this because of the ability of telecommunications to do this work remotely, but it will be that same factory-based model: requirements in, pump things through a machine and pump out the other side. So there is great potential there and very large markets to tap into.

The CHAIR — That is good.

Mr DAVIES — We have to make it a reality, of course.

The CHAIR — I suppose what we would like to hear is — and it has worked well here in Ballarat, and the opportunities are very good — how would you suggest that we support similar developments in Horsham or Shepparton as models to get businesses like that to grow in those areas?

Mr DAVIES — It is an interesting question. If you are talking ICT specifically, then I think the hub-type concept, working into a place like Ballarat, is probably better. The reason I am hesitating in saying this is that we know there was an independent audit, or review, done of all the various tech parks all around Australia, and Ballarat got voted as no. 1 by a long way. It was not just a close thing. They were looking at Townsville — I forget. But they explored something like 35 or 40 different locations, and Ballarat by far is the most successful. It is the largest tech park, and it is the fact that there is a — what is the word?

Mr VALLANCE — Critical mass?

Mr DAVIES — Critical mass of organisations here, from the very small — one or two-person organisations — all the way up to an IBM, which has over 700.

Mr DRUM — Steve, can I build on the Chair's question and ask how important, then, the university's role is in having such a successful incubator-type thing? Could we start this one up in a city that does not have expertise in IT at university level?

Mr DAVIES — I think the University of Ballarat's role has been critical in the success of this tech park because of the ability to provide skilled resources who are skilled in the technologies that folk like Aviarc and ourselves have. IBM sponsors a course in the school of IT which helps facilitate appropriate training.

What I can see, though, is that if you look at other — IT is only one industry, right? There is a whole load of other industries which can operate remotely, and I could see a need for that sort of niche market, if you will. I know IBM is pouring all of its money into Ballarat in terms of a regional delivery centre. We do have a similar organisation or focus up in Bathurst in New South Wales, but it has not been anywhere near as successful as this. It is a lot smaller than this, and it is a struggle to keep operating. It is the critical mass that has proved important, but this is one industry. It is ICT, and it is technology services. It may be that Horsham or Hamilton or somewhere else has a different niche or a different thing. It is great to provide the ability for people to work in hubs and perhaps run and incubate those small businesses, but they may be businesses in other fields.

The CHAIR — From your answer I am getting that there are two key points: critical mass and being able to provide the human resources, which the university here does.

Mr SMITH — Can I interject? From an entrepreneur's point of view, all somebody needs to start up a business or to get a small business going, if you like — if there is a difference — is a point of presence. Everybody needs to be somewhere, and if somebody in Horsham wants to start a business, he should not have to look for a place this size. If he can go to a hub where he has a bunch of like people there and he has access to a workstation and some broadband — that he probably has to pay for, or it may even be subsidised — then he has a point of presence. He does not have to buy servers. He does not have to do anything else like that, and he can set up the IT infrastructure for his business no matter what his business is. I do not think you have to invest in something like this for the Horshams. I think a place for half a dozen people, maybe growing to a dozen and, if it is really successful, growing to 50, just as a hub is all an entrepreneur needs. He needs someplace to get access and a point of presence.

Mr VALLANCE — If I could just follow up on Steve's comments, the study that was done about 12 months ago by CapioIT looked at, as Steve said, about 35 regional locations across Australia. It looked at the best locations to invest in if you are thinking of establishing an IT business, and Ballarat was ranked no. 1. It is not just about the university providing skilled graduates, Damian; it is more complex than that. There are — I do not know how many — 35 universities in Australia, and a number have tried to do what we have done. A number have succeeded, but a lot have underperformed too.

The university has provided leadership in an entrepreneurial sort of way because we put skin in the game and prepared to invest in this precinct, and now we are starting to see some really good returns. We have not done it just in isolation either; it is about a region working together. I just saw the City of Ballarat reps working. It is about working with the local government. It is about working with the state. It is about managing those relationships — those partnerships — to get the maximum value. So it is a complex little equation, and I am glad we are where we are at, because it is a journey.

The CHAIR — You also said earlier, I think, that the government put \$5 million into health to establish that, so it is partnerships with the government and universities to work together to — —

Mr VALLANCE — Undoubtedly. To be totally transparent, if you look at most of these buildings within this precinct, they probably had some form of government assistance, so, from a risk point of view for the university, that has given us confidence to put our share in and establish long-term relationships with major players — not just major players; smaller players as well.

The CHAIR — Does anyone have any closing comments?

Mr VALLANCE — I think the role of government, whether it be state or federal, is really important in this space. It is about providing leadership. I suppose that is really all I want to say. We can do so much. We are obviously committed to training students and getting graduates good jobs. This precinct is a marvellous vehicle for them to get a start in life. It is also about keeping young people in our region. If we had policies at both the state and federal level that support that thrust, we would be absolutely delighted.

Mr SMITH — My only point is that it does not have to be big. A lot of small, bite-size chunks would go just as far.

Mr DAVIES — My closing remark is to make sure that low-cost, high-speed broadband is available to as many people as you can get in rural and regional Victoria — not just IT — to enable businesses to get up and play in the world market. As Ross was saying, the point of presence is really important. A single person who may only be part-time but who has the ability to put something on the internet and transfer data up and down to help sell their product to the world market is what is important. If you want to incubate small businesses to help them grow, regardless of the industry, it is access to the internet at a good speed that is absolutely fundamental.

The CHAIR — Mal, Ross and Steve, thank you very much for your very informative contribution to the inquiry. I remind you that in about a fortnight's time you will get a draft transcript from Hansard. You will be able to make changes to obvious errors, but you will not be able to change the substance of what has been said. Any corrections will have to be run past the committee; that is just how it is. Thank you very much for your valuable contribution.

Witnesses withdrew.