

PERTH'S IT INDUSTRY STIRRING

A long road for green shoots of tech hub

There's a lot of work ahead to turn Perth into a Silicon Valley of the south but the potential is there, local IT industry leaders tell Nick Sas

A reverse brain drain and recent strong financial backing has failed to address a severe lack of talent in Perth's fledgling tech industry, its leaders say. Speaking at this week's Australian Institute of Management WA/WestBusiness CEO Voice event, WA's tech leaders agreed that the State's dearth of IT graduates — and its perceived poor status within the WA business community — contributed to Perth being behind the eight ball.

However, the tide is changing. According to Russell Francis, chief executive of Perth-based brand technology agency Dash Digital, the reverse brain drain — and the wave of money coming into tech stocks over the past eight months — is helping turn things around.

"I'm part of the reverse brain drain," Mr Francis said. "There's great experience here, and I look at some CVs that come across my desk from guys who have come back to Perth and I'm like, oh my god, look what these guys have been doing."

Marcus Tan, from Health Engine — arguably WA's best-known start-up success story — said finding the talent in WA was a constant battle. "It's OK if you're trying to build a two or three-man start-up, that's fine, you can find the talent," Dr Tan said.

"When you're trying to find 20 or 30 people, that's when the problems emerge." The talent issue was echoed by IBM WA State manager Malcolm De Silva, who said the company spent a lot of time relocating people from the east coast and overseas.

THE CEO VOICE SERIES

Applabs managing director Stuart Kidd said he had to treat his team "like rock stars" in order to keep them from leaving the app-focused business, which listed in November.

For Deloitte managing partner Michael McNulty the issue came back to early education about the opportunities available in the technology sector.

"From a private sector employer example, the students are going to study things that give them great opportunities to do exciting work after university," Mr McNulty said. "There was a golden period after the dotcom boom where we had our best students studying engineering and IT because they saw the opportunity."

"I think as an industry we don't do it well — we see these people studying for four years and becoming a help desk operator. That's not something that's going to inspire them to do IT."

Curtin University IP commercialisation director Roban McDougall, who is heavily involved in the emerging start-up scene across Perth, agreed there needed to be more collaboration between education and industry. "Kids need to be able to see

the next Steve Jobs or Mark Zuckerberg in their own backyards," Mr McDougall said. "And there is a level of engagement (between university and industry), but there could be more, and it's about trying to point out what model works. "Who can promote WA as a tech hub? Frankly, it's not the government... we've tried, it's got to be the responsibility of the community."

Where's the government? The lack of government recognition of the industry was a bugbear vented throughout the panel discussion.

Fujitsu executive general manager Robert Lislois said the State Government was a noticeable absentee in the industry's moves to brand Perth as a tech hub.

The adoption of an Indian or Irish-inspired model in Perth, where specific areas received tax breaks, was also a suggestion from some panel members as a way to kickstart the industry.

Telstra WA State manager David Ridgway pointed to the Silicon Valley as an example of how governments could help incubate the sector.

"There's research that Silicon Valley would never have



Long road: CEO Voice guests thrash out ways to make Perth an IT hub. Picture: Steve Ferris

occurred on the east coast of the US because of the corporate structure of what went on — that's where the entrepreneurship comes in," Mr Ridgway said.

"Young people who are more willing to take a risk. "I would suggest governments can play a point to creating the right tax incentives... and then get out of the way and let innovation foster."

Matthew Macfarlane, who runs Perth's only distinctly tech-focused venture capital firm, Yuuwa Capital, pointed to

taxation and regulation as barriers to development.

"The employee share scheme situation is the most red-flagged barrier to getting things happening (in the tech sector)," he said.

"I don't give equity to anyone in my companies because we have this ridiculous system in Australia that when the day you grant a stock option, even if it's not going to vest for four years, the poor employee has to pay tax on it — it's insane."

Excess government intervention in the sector was

also highlighted by ISS Group founder Shane Attwell — one of Perth's original IT entrepreneurs.

"I'm sitting on the board of a new start-up and if you look at intellectual property, the profits out of intellectual property are huge, if you get it right," he said.

"But if you do that in Australia you get taxed 30¢ in the dollar, if you do that overseas, you keep the 30 per cent and you re-invest it straight back into research and development.

"If you try and do the research and development in Australia the taxpayer will come in and say 'hey, if you develop that in Australia the intellectual property will be here' and you'll get smashed... in the end we moved our operation overseas, for the talent reason, but mostly because of the tax reason."

Show me the money The recent appetite for the tech sector by investors has been highlighted through the big number of tech companies backdoor listing through the

shells of Perth-based exploration plays.

There have been 15 such re-births since October. Tony Grist, chairman of Perth IT stalwart Amcom and director of tech-focused investment firm Albion Capital, said he had been "overrun" with the offerings.

"There's an interest and an appetite (in tech), you could call it hot money or speculative money — sometimes uninformed money — but there's an appetite for it and it's moved away from exploration," Mr Grist said.

"The ASX has become a proxy for venture capital, as tacky as it sounds, it's a legitimate vehicle for projects finding funding."

"There's a reasonably affluent and educated middle-bulk of high-net worths that are interested and reasonably aware and semi tax-savvy. And there are projects that are attracting capital — projects not necessarily domiciled in Perth — but I don't see a shortage of opportunity."

Mining and tech — the future? For Curtin University's Rohan McDougall, the future of technology in WA had to be centred on the State's strengths.

"Silicon Valley has really taken advantage of its natural resources, and I think we have to do that," Mr McDougall said. "The mining industry can act as the translation into the tech space, starting with a local focus and then spreading into other areas such as healthcare."

"It's about what have we got, what are we good at and how can we package it?"

Rio Tinto operations centre manager Kellie Parker said the thought was encouraging, as Rio saw tech as an integral part of its future business.

"We ran our first autonomous train last month," she said. "Our business is constantly moving into technology, but it's about funding the connection."

"I'm pleased to hear that people want to use the mining industry in technology advancements, because the mining industry wants it."

Mr Francis said the key was flexibility. "We're just catching up with what's happened over a long period in the rest of the world," he said.

"It's about filling a void, can we pivot from mining to tech? Well no, but we can have our cake and eat it too — be a good mining place and have some tech credibility too."

IN THEIR OWN WORDS

ROHAN MCDUGALL — Curtin University IP commercialisation director "Partly it's about having the successes there. Kids need to be able to see the next Steve Jobs or Mark Zuckerberg in their own backyards."

RUSSELL FRANCIS — Chief executive Dash Digital "We can have our cake and eat it too — be a good mining place and have some tech credibility too."

MARCUS TAN — Health Engine chief executive "The problem is talent."

MATTHEW MACFARLANE — Yuuwa Capital investment director "I've been involved in start-ups for the past 10 years and the activity in Perth in the past two years has been off the scale."

KELLIE PARKER — Rio Tinto operations centre general manager "I'm pleased to hear that people want to use the mining industry in technology advancements, because the mining industry wants it."

ROBERT LISLOIS — Fujitsu executive general manager "It's important to get government, universities and entrepreneurs to move to brand Perth as a tech hub."

STUART KIDD — Applabs managing director "We have a lot of kids send us CVs and the way we've been able to keep our team in is to treat them all like rock stars."

MALCOLM DE SILVA — IBM WA State manager "We do see talent as an issue. We spend a lot of time relocating people from the east coast and overseas."

MICHAEL MCNULTY — Deloitte managing partner "We see these people studying for four years and becoming a help desk operator."

SHANE ATTWELL — ISS Group founder "I don't think Perth, in its current state, is capable of running technology companies."

DOUG BESTER — Sentient Computing managing director "I think it's happening now, it's just not very well publicised."

DAVID RIDGWAY — Telstra Enterprise, WA State manager "There's research that Silicon Valley would never have occurred on the east coast of the US because of the corporate structure of what went on."

RUSSELL BASKERVILLE — Empired managing director "There have been some great success stories in the sector out of Perth but people don't know about them."

TONY GRIST — Amcom chairman "There's an interest and an appetite, you could call it hot money or speculative money — sometimes uninformed money — but there's an appetite for it and it's moved away from exploration."

ARNA JADE — Inart Consulting director "The tech industry needs to understand that your story sells you."

GARY MARTIN — Australian Institute of Management WA chief executive "It's clear WA needs to boost its use of technology in industry if we're to maintain our global economic position in the coming years."

