

Pete Cooper

0. Background

I refer in this letter to startups, by this I mean tech and tech and tech enabled early stage businesses focused on the internet and disruptive innovation.

Given my unique position in the market, I estimate Australia has around 3,000 possibly as high as 5,000 of these businesses. This contrasts with an April 2013 estimate of 1,500 by PwC (valued by 2033 of \$109b in GDP contribution and 500K jobs).

So, to cut to the chase the prize could be easily \$300b in GDP domestically.

But I write also to encourage you to consider the international, specifically SEA and Greater CN opportunity too which could double or triple this figure.

My name is Pete Cooper, I have one of the deeper backgrounds in startups in Australia/Asia as -

- co-founder of a division at Macquarie Bank based on Prof. Clayton Christensen's disruptive innovation work in 1999
- angel investing since that time
- early in silicon beach
- co-organiser of the largest tech meetup
- founder of [SydStart](#) in 2009 the largest professional tech startup event and community
- pre-incorporation co-founder of fishburners
- regular mentor and speaker and advocate and more for the ecosystem across hundreds of companies and events including startup weekends, lean startup weekends, university startup weekends etc.
- CXO for \$100m+ of startup trade sales and projects
- in the first 50 people invited to form and be behind startupaus

You can find more about me on linkedin or twitter (@[pc0](#)) or via my blog ([anydex](#)) but you will see a wide reach (tens of thousands in Australia and Asia).

Perhaps this conversation is best done face to face but I just wanted to give some feedback on the scope, approach and timing of the review.

1. Scope

The scope alone probably looks fine on paper but I think you need to step back a little, most of the people that would benefit from getting this right are startups themselves. Unfortunately the way is framed (existing legislation, narrow and out of date industry terms mainly) is going to generate responses from only one minor segment that are familiar with them or from that generation.

To be frank, you are going to miss the main audience.

Even the highly engaged SydStart and StartupAus audience and founders have found it obtuse at best. I can not formally speak for them but am paraphrasing based on (some relatively exclusive access and other wider market) online forums and 1:1 first hand conversations.

2. Approach

The industry is looking for structural solutions, sure, but the problems and framing can be done more easily. For example if you said in a survey -

- Should AU have angel list raising model, should we have simpler p2p lending (better than equity if you are successful) or crowd funding (e.g. kick starter - better than debt or equity regardless of success). Such as 200 lots of \$1,000 investment by a professional (not professional investor) e.g. a dentist or computing science graduate - is as much as many (I would argue most) tech and tech enabled startups need in seed capital
- Should \$1.7Trillion of Au superannuation be able to be direct or indirect (via above platforms) invested in startups (sure... cap at 1% of inflows for risk reasons and union appeasement reasons but asset allocation consultants will say more and for good reason).
- Should tech startup founders themselves be widely consulted directly rather than engaging (as current scope and approach) with the people who live off the industry (suppliers, corporate investors).
- Should there be a regular format for this type of consultation (e.g. democratic entrepreneur association).
- Should there be a simpler form of employee share plan scheme (e.g. a pre-approved ATO compliant PDF emailed directly to the Directors on the day they register the company rather than pay thousands and risk unplanned outcomes).

In short entrepreneurs are highly time poor, more so than most business people. The current scope and approach are going to get bias results from people (e.g. VCs, legal professionals) that have opinions but are ultimately outside the industry servicing it not inside it creating the companies that create wealth for our nation.

It would be better to ask entrepreneurs themselves in open terms, not bias by existing frameworks but in plain language and then and only then revert back to exploring implementation options in the regulatory and legal frameworks.

Taking this approach is more likely to enable simple, well directed action (to use a startup set of terms) that will be lean and get product market fit with enable meaningful customer and product development.

3. Timing

As I understand it, this current review was initiated prior to the recent federal election. As such any results are going to be subject to a degree of scepticism by the new government.

Better to recognise this and restart it, perhaps with a round table in Canberra of national tech and tech enabled startup leaders (entrepreneurs in the industry not suppliers and others making a living from the industry).

Or indeed complete it but suggest that as a next step.

Or spin off a subset of consultation now with more greenfields context.

Closing

Australia's around the world have been fundamental in creating the globally successful financial structures of the global (e.g. systems inside the leading markets such as LSE, NASDAQ, NYSE and Angel List are all using core people and technologies from AU).

Let us be realistic and say we are not aiming high enough here.

We have 150 languages on the east coast and 61% of the 2.5billion internet users in our time zone. 68% on the west coast.

London and New York as the leading financial centres did not choose to be disrupted by San Francisco based businesses including Angel List but they are because it is precisely what Prof. Christensen predicted.

We have a choice here, we can act or ignore it. If we act we could reposition our country as a world or regional leader in this new field.

Australia, with our widely respected legal and financial system could be home to not just the world's fourth largest pool of funds administration but also be the next Angel List or similar global open exchange platform (or platforms if we consider another may be required for each segment consumer, business, fund, fund of fund etc) transforming Asia with a non-US centric platform friendly legislation that favours Australia.

I also advise that I have no conflicts of interest in terms of investments or relationships with any of the above mentioned firms.

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