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- S1 00:00 Hi there, my name is Glenn Williams and welcome to the Moxie podcast, episode number three it is. And even though it's episode number three, it's kind of like number one and I'll explain that in a second. If this is the first time you've encountered the Moxie podcast, this is all about the Moxie sessions which happen once a month in Auckland and bring together a bunch of business leaders, thought leaders, social entrepreneurs, all kinds of people really who have ideas about where New Zealand has been and where it should head. Basically about retooling our existing rules and attitudes specifically around the internet and making new connections or rewiring old connections, that sort of thing. My guests on today's show were at the very first Moxie session at the end of 2012 and they were talking to a subject or the topic I should say which was why is New Zealand not the destination of choice for the world's best entrepreneurs? So why aren't the best business leaders coming to New Zealand? Why is it not their first and number one destination? Well the three speakers talking about this were Paul Brislen, he is the head of the Telecommunications Users Association of New Zealand, he's also New Zealand's number one Doctor Who fan and he's with us on Skype. Hello there Paul, how are you doing?
- S2 01:28 Hello, hello. Good thank you.
- S1 01:30 Also with us talking about why foreign business people might indeed like it here is Vaughn Davis, he's from the The Goat Farm - tgf.co.nz. He's more of a social media entrepreneur, advertising guru, military pilot, goat herder amongst many other things. Welcome to the show Vaughn.
- S3 01:51 Giddyay, thank you.
- S1 01:52 And Rick Shera who will be talking about the struggles of a small place with lots of government and a fear of failure. Rick Shera is a New Zealand internet IT, IP and start-up lawyer. He's the Chair of NetSafe and Director for Network for Learning Limited. Rick Shera, welcome to the show.
- S4 02:12 Hi guys.
- S1 02:13 Now for you guys I guess it'll be casting your minds back to what happened at the Moxie sessions back in December at the end of last year, but it really was sort of the kick-off topic, why is New Zealand not the number one destination and choice for entrepreneurs. But in putting that question out there I don't even know if that question is indeed correct. Paul, do you have a view on that? Is that a good question to have?
- S2 02:35 Yeah I think so. I'd turn it on its ear and say, "What do we have to do to attract more good talent and to make sure that the talent we've got values staying in New Zealand." And predominately a lot of that is around the vision for New Zealand. Are we just going to be a farm for the rest of our days or are we actually capable and willing to make the leap and become something more than that, and something I think that the obvious thing to do in that regard is to go down the digital route and become a digital economy.
- S1 03:07 So obviously striving for the best, having a vision, even if we were the number one choice for entrepreneurs, you're saying that we should strive to be something beyond that?
- S2 03:16 I think so. I think we're extremely well placed to take advantage of the digital environment. This whole idea about a digital economy that we've been talking about now for at least a decade, the weightless economy, all of the issues we have around shipping goods offshore in the form of apples or dead animals or milk powder. We've got a lot of distance to cover to get to our markets. It costs a lot of energy and a lot of money to ship products overseas. In the digital world of course, all of that goes away, and we're as close as anybody to market. And given that we're very good at being lean and cost effective, we're able to I think, foot it with the best of the world in terms of digital output. I think it's important that we have a plan and that we focus on this kind of thing and do what needs to be done in order to turn New Zealand into the sort of place that digital entrepreneurs want to come and live.
- S1 04:20 Well Vaughn, you're a guy who likes staring at the horizon, or you spend a lot of time staring at the horizon out the front of your aeroplane cockpit there, do you think we lack vision in New Zealand?
- S3 04:31 I don't think we do. I took a bit of a different approach to the question that Hayden set this session. And rather than talk about the mythical, abstract, generic, entrepreneur I examined the needs and requirements of a particular one and asked myself if New Zealand in fact met his needs. So if you'll indulge me I'll describe this person and then see whether or not New Zealand's the place for him. How does that sound?
- S1 05:04 Sure, go for it.
- S3 05:05 So rather than think of a generic entrepreneur, I took one of the world's leading innovators and instead asked myself what he might look for in a place to live and work. So the person I've chosen graduated with advanced degrees in physics and

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engineering from the Massachusetts Institute of Technology at the age of 17. While his knowledge of mathematics, physics, chemistry, and computer science would easily place him in the world's top 1%, his success is built primarily on his mastery of electrical and mechanical engineering. It sounds a bit like Ray Avery's CV, but it's not. The companies he founded are among the largest suppliers of defence technology in the world and despite a potential life-ending chest injury some years ago, still leads the daily operations of his organisation Stark Industries, while somehow finding time to regularly fight evil in his flying suit and maintain a reputation as a [?] boy. So what would Tony Stark look for in a destination? The delay between the Moxie session and the podcast has played right into my hands of course with the release of Iron Man 3, it's become timely.

- S3 06:17 So what does need and do we have it? The first thing he needs is power. The arc reactor in Tony's chest needs regular recharging. Power use in New Zealand apparently is trending downwards, go us. And should Rio Tinto make good on its promise to close [?] Kim Dotcom not install a data centre in its place, the Manapouri Power Station will be available should Mr Stark wish to purchase it. So that's the first thing he needs. The second thing clearly that he needs is women. And this may well be true of all entrepreneurs, who knows? As an international playboy, the availability of companionship is likely to be a high priority. Lucky research is on our side, showing that the average New Zealand woman is the most available on the planet. A recent study revealed that she has 20.4 sexual partners in her lifetime, a world record. Go us. So that would tick one of Mr Stark's requirements.
- S3 07:17 He would also need real estate. So a rooftop lair is pretty much essential if you're taking off and landing in a rocket suit, and it's also good for parties. Jones Lang LaSalle reports that Auckland CBD office space vacancies are running at 12.8%. So another tick for Mr Stark. And airspace. Ironman fans will recall that if there's one thing this entrepreneur does not need is being bothered by pesky fighter jets. Mr Stark [?] covered too with the most fighter jet free skies in the Southern Hemisphere. That's our guarantee to you. And finally as Mr Stark is on the side of truth, justice, and the American way, close and confidential connections to the US government are essential to any destination he might choose. Does the small independent nation in the bottom lefthand corner of the Pacific have such ties? Well yes, yes we do. So at least in the eyes of that one particular entrepreneur, I think we are absolutely, ground-zero, perfect, tick all the boxes, why would you go anywhere else destination.
- S4 08:23 Part of the difficulty or perhaps the opportunity as well is the fact that we do have a pretty small population, so any entrepreneur coming to New Zealand is really going to have to locate themselves here with a view to then looking back out to the rest of the world. It's clear that no entrepreneur is going to be able to sustain an entrepreneurial growth business in New Zealand because we just simply don't have enough people to support such a business. Certainly an internet business which relies as many of them do on volume and clicks and incremental value per transaction. So that behooves us to create an environment where our entrepreneurs, whether they be born here or immigrate here can run a business, an international business from New Zealand. And I think we do have some challenges there in terms of the way in which our government promotes risk here in New Zealand and in the way in which we are connected to the rest of the world.
- S1 09:30 Wouldn't it be true to say though that sure New Zealand is small and it does have some fairly intensive governance, but at the same time the internet is a global thing and it's still this Wild West place where you can do some pretty radical things right?
- S4 09:48 I really hate that Wild West meme for the internet because--
- S1 09:54 [laughter] It's so 2005 [chuckles].
- S4 09:56 The moment you say it government's look at it and go, "Well the Wild West is a place which needed to be regulated and now therefore now needs to be regulated, and we better do something about it." And that brings forth legislation such as the SkyNet legislation that we had last year or the year before, and the legislation in fact that's coming through at the moment. So there are very difficult issues around a small country like New Zealand trying to regulate the internet when the internet is not our domain, or not specifically our domain. It transcends jurisdictional boundaries.
- S1 10:34 Okay. So Paul, back to you. What else can we do to boost the way we look to the rest of the world and build more mature business here and attract the right minds and also keep some bright minds in New Zealand.
- S2 10:49 Well that's a very good question. That's exactly that we need to organise is some kind of-- I believe anyway, some kind of digital strategy for the nation. I'd very much like to see governments of all creed and colour, treat the internet and the opportunity that it provides us with a bit more respect. We tend to get a lot of knee-jerk reaction legislation as Rick said around various issues relating to the internet. I think we need a proper regulatory framework that encourages investment and innovation. I think we need to start looking at our school system. It works all the way through society of course, but in terms of economy anyway, you start looking at the school system and just what sort of students we're turning out. And do we need an entire school of management at each and every centre of learning in our country, or perhaps we should encourage people to try some of the more creative side of life. Things like that.
- S2 11:48 I'd like to see Sir Paul Callaghan was New Zealander of the year a few years ago and sadly died not long ago. He talks about building a place where talent wants to live, and encouraging people to move to New Zealand to do just that. To deploy their talents. And we've already got a great head-start. All the software engineers and developers that I know of love coming to New Zealand because they can go mountain biking, they can go kayaking, we're so incredibly cheap. The electricity doesn't cost much, the building space doesn't cost much. There are no barriers to setting up a business. So we're doing a lot of things right, I'd just like to see us doing more and perhaps setting some targets. We've got a dairy industry which provides the vast bulk of New Zealand's GDP. If we had a technology sector that could equal that, we'd be having quite a different conversation about digging up the National Park looking for oil. I think that's a conversation that we not only should be having, it's critical that we have it now before we throw away some of things that do encourage people to come to New Zealand.

- S1 12:55 You touched there Paul on financial literacy. This was something that was brought up-- many many years ago I remember just as a kid growing up people talking about this need to teach financial literacy in schools. Do any of you have any idea why this hasn't happened yet?
- S2 13:12 Laziness. It's just far too difficult. It's a bit like human reproduction issues. Suddenly it gets all caught up and fraught, and I just put it down to an unwillingness to step outside of the norms.
- S4 13:26 I think it's a challenge that, because we have a fairly long tale in New Zealand of underperforming people coming out of our schools. And while I'm not necessarily a great fan of the three Rs, the reading, writing, and arithmetic sort of mantra, it's quite clear that there are some fundamentals which are missing from people coming out of our schools. And really they do need to be a focus. So when you try to add on financial literacy as what really might seem to be a next tier beyond that, it gets quite difficult. But I agree. There are some schools who are doing these sorts of things and providing, what I'd say a lot more flexibility around the way in which students can learn. Self-directed learning and the use of the internet to provide skills and learning, rather than just skills and acquiring knowledge are certainly growing in New Zealand, and it's good to see. And that's certainly something that does attract people to New Zealand, its education system is world-leading, world-class, there's no doubt about it.
- S3 14:40 Is part of it though to do with creating the conditions for a pool for those things to be taught in school? The three of us on this Skype conversation trying to push the government or the education sector to what's providing these things is unlikely to have an effect. But when students and parents and voters demand these things, it's more likely to take place. One way for that to happen is for our students and our parents to see heroes in this sector and know who they want their children to be like. Who are the entrepreneurial heroes and who are the Henry Fords? And I'm not talking about the people for whom success is to sell their business one year after starting it, I'm talking about the people for whom success is to run a business for 20 years and employ 1000 people in South Auckland. Is our definition of entrepreneurial success just a little bit flash in the pan perhaps?
- S2 15:50 And I worry about that too--
- S4 15:50 It disappoints me to see how quickly, and I do act for-- help and assist a lot of start-ups, and it disappoints me to see how short term the horizon is--
- S3 16:05 Is that label a bit of a problem Rick?
- S4 16:08 What's that?
- S3 16:09 Is labelling part of the problem? Entrepreneur makes me do a little bit of a mouth sick as does start-up. Because if you label yourself a start-up, it seems to me, you're telling the world that I'm a start-up so I'm going to do a funding round, I'm going to get investors, they're going to want an out and in five years I'm either going to have sold this company and brought my boat or start another one.
- S4 16:34 And five years is actually things to becoming quite a long term horizon, it's crazy. You're getting people who the vision is to sell-out within two to three years.
- S1 16:46 On one hand you've got this need to have some stand out entrepreneurs as such, some rock stars as it were, but these only tend to be people who make a lot of money in a very very short time as oppose to these long term ones that you're talking about, and in fact it was typified in the movie, The Social Network. That's what kids are seeing, that's what they think I suppose an entrepreneur is.
- S4 17:14 What happens though is that you do get movies like that, and it does appear to people that this fame is somewhat instantaneous, when in fact that's not true. If you look at, for example TradeMe, those guys might be said to be the rockstars of New Zealand having sold out of TradeMe, but that took a long time. It took ten years for them to get to that stage because of slaving, and of sacrifice, and of friends, family, and fools funding them. So I think that needs to be brought home to people, that there is no easy road. One of the things though I think, and this comes back to your point Paul, about we need to move from a primary industry shipping dead animals as your referred to them across long distances is that--
- S2 18:08 Very tasty dead animals.
- S4 18:10 Very tasty but you get the same quality--
- S1 18:11 And quite cheap.
- S4 18:12 Here in New Zealand that gets exported overseas.
- S1 18:14 And quite a lot cheaper here as well.
- S4 18:16 Maybe that's a plus for people to come. But one of the things that always occurs to me is that we do have an inornate amount of expertise in those areas. And while it's true to say that the ultimate products might be physical, there's also a huge amount of intellectual property and knowledge around those industries and within those industries which just doesn't seem to be talked about, and which could well be leveraged to provide a different form of industry, a different form of revenue to New Zealand, and a different attraction for entrepreneurs if it was packaged up in a different way. So that things like our expertise in dairy industry, our expertise in forestry, our expertise in other primary industries, fishing for example, while I don't want to chuck out the products, we are extremely good at producing products, using those and combining them with internet delivery, the

knowledge with internet delivery must surely be something that we could look at?

- S3 19:29 I think so too, and I think the danger is we're going to make this superficial shift from exporting apples to the entrepreneurial model which is to export the whole damn business. In a way those businesses whereby the IP and the wealth and the productive asset remains in the country and continues to generate wealth is actually a little bit more sustainable than the build the business, throw the whole damn thing away. I wonder if there's a cultural connection here? We did talk about it in one of the sessions. It's a colonial thing almost, where the ultimate measure of success, and Glenn sitting there in the UK, I guess you're part of the problem is for something to be judged export quality. It's not just good enough for lamb or apples or milk to be good, it's got to be good enough for people overseas. And I sometimes think that business success is measured in the same way. It's not good unless an American will buy it from us.
- S2 20:34 And I think that's right. We seem to have this short term culture of the boat, the bach, the BMW, right I'm done, let's get out married with a lack of awareness with just what we could be doing here at home. We look at the issues around IT systems like Novopay. I see now Inland Revenue is planning to spend somewhere between a billion and a billion and a half dollars on an IT system. And you know that most of that money's going to go to a big international corporation, it's going to head offshore. Could you imagine what that much money would do to spark the New Zealand software development community? That much money spent locally would have a far greater impact on our economy then giving it to an IBM or an EDS or somebody offshore in order to drive their shareholders value in New York--
- S3 21:30 I guess that's the [?] by importing something it's good quality right?
- S2 21:34 That's right. Nobody ever got fired from buying IBM, well several people should be. And I'd much rather see that money go to a New Zealand developer. Could you imagine what you could do with even a fraction of that to develop something locally that we know would be of good quality. We've got organisations in New Zealand like Catalyst, Weta, these are cutting edge organisations that just simply don't get the airtime of the brain space in New Zealand that I think they deserve.
- S1 22:01 But Vaughn, you were saying earlier that we shouldn't concentrate on whether or not our businesses measure up to something in the US, but isn't it the point that we do need to make sure our businesses measure up to the US and are exporting to these overseas markets? Because isn't that the point overall that New Zealanders have been spending far too much on the credit card, we're not earning enough money from our exports, and we need to sort out that balance.
- S3 22:33 Absolutely have a confidence that our businesses are of the same quality as those in the US and the UK and Korea and Kurdistan and wherever, but export the products and services, don't export the businesses. It's funny, we were all up in arms when the government considers selling shares in a state asset, but when the same thing happens to a private asset, it's cause for celebration. I just don't get the difference.
- S1 23:01 I also just want to bring up one point about immigration and whether or not the changing face particularly of Auckland, whether or not that changes the whole equations over the next five, ten years with the type of immigration, more Asian immigration, with the different emphasis that they might have on certain types of education and an emphasis to settle and stay in New Zealand perhaps because that's the reason they came in the first place, with kids or sending their kids over. Will that change the equation? Will we be talking about something completely different with respect to whether or not we're attracting the right people?
- S2 23:42 I think so. I think travelling around New Zealand there's a distinct difference between the Auckland population mix and the rest of the country's population mix. And I think as New Zealand grows in terms of population numbers, we really do have quite an issue there that we're going to have to address in the next few years, because we're really developing almost two New Zealand's. We've had the Prime Minister come out and say, "Wellington is dying." And although he immediately retracted it, looking at the statistics New Zealand estimates for the next few years, we're looking at a world where Auckland grows dramatically, the Hawkes Bay and Southland die off and Wellington doesn't move at all. And if we're not careful we'll build one giant Pacific Island nation with an enormous main centre and then a bunch of villages. I don't think that's healthy for New Zealand at all, but I think we really do need to have some kind of plan in place for the kinds of people we want to import, the kinds of skills we want to import, and we need to get away from the whole idea that unless they speak good English, they're not allowed in. I think we absolutely have to embrace the global nature of this mobile workforce we've created.
- S4 25:02 That brings up one of my bug bears which probably Vaughn and Paul have heard before which is that we do promote, and I think it was you Paul who said we do have a lot of attractions in terms of surfing and mountain biking and so on, and we profess to say, "Come to New Zealand, you can sit in the country and wherever you like and you can work and run your business from wherever." But in fact that's not right yet. And whilst the government is pumping a reasonable amount of money into UFB to roll out fibre around the country, that can't happen fast enough. And it's not actually happening across as many areas as one would think. In fact the area in which I live in not slated to get UFB at all. And I'm only 15 minutes away from Auckland Centre.
- S1 25:56 That's a good point. So if you come from South Korea and you decide to move to Auckland, and then you think, "Actually I want to try out what's going on in the rest of the country," go to Rotorua and you can't get the same level of utility like the internet, then you're scarpering back off up the country, right?
- S4 26:15 Yeah. That's an internal comparison, but if you compare New Zealand as a whole to the rest of the world, we lag a long way behind in terms of our connectivity to the world as well. And the pricing around international bandwidth is just ridiculous. I happen to be assisting Mr Dotcom in his new venture, who would have loved nothing better than to locate the whole thing here in New Zealand, but the international bandwidth costs made that prohibitive. So that venture is effectively located offshore.

- S3 26:53 How widespread is that problem? I know there's a lot of noisy voices, us included, or whatever you would call us as a class. But considering a thousand entrepreneurs, a thousand start-up companies, how many of them are truly constrained by lack of internal connectivity and lack of global connectivity? Is it the most important problem to solve? The fast internet has been outside my door for five months now, and I feel no compulsion to hook it up. And going by local uptake figures, neither does anyone else.
- S2 27:32 Nobody's selling the vision of what it can do for you, they're saying, "Congratulations, here's fast internet, job done." And I'm sorry but that's simply not acceptable. The upside is the ability to do an awful lot more in terms of the kinds of things that will develop economic benefit for the country. So not only will you be able to watch television in HD and it'll be super fast, but I could run my business from home. Something I struggle with today, because DSL, the copper based technology, the upload speed is just hopeless. I can't back stuff up on a regular basis. I can't develop anything and send it out into the world, and that's a real issue. I'll tell you a tale about a software development company I interviewed many years ago called Ambient Design. They're based in the Waitakere Hills at the time, and somehow along the way they had convinced some American software company that Waitakere was just outside of Denver and they got all this extra work because they could turn it around overnight. They were relatively cheap. Basically they were exporting. They were getting paid in US dollars, and they would outsource a lot of the work to other developers they knew around the country.
- S2 28:43 But the problem was when it came time to send the content, or whatever they'd developed back to the US, it would tie up their entire internet connection and the server in the US for the better part of a day while it tried to cope with this slow trickle of data coming in. And it really did hinder their ability to grow, what could really have been quite a large export oriented business, because they couldn't share the data, they couldn't share the work effectively around the country. They could share it around Auckland but not really to places like Rotorua and Whakatane, and down country to Gisborne and places like this because the infrastructure just wasn't there. We've seen this in the UK. There's a fibre loop that connects a variety of movie production studios together, production houses I should say, not just studios. We're talking about the Wetas of the world. And they work together on contracts and they win contracts because they can share the work amongst themselves, because they can work together and collaborate. They built their own fibre network in the end. We simply don't have that resource here to outsource something to two foot six in Australia then it is to outsource something across New Zealand, which means we don't have that basic functionality of the ability to share and collaborate on projects that you get in other parts of the world. And that's really quite crippling.
- S1 30:12 That whole upload speed question in New Zealand is quite ridiculous. On that larger company, but even on an individual scale, just trying to do something creative and put it up on YouTube for goodness sake. Well guys, we could talk much much longer about this, but we really do have to wrap it up. I know you are busy busy chaps. But do appreciate your time on this Moxie podcast. This podcast will be available up at the moxiesessions.co.nz. But where can people find out what you guys are doing? Vaughn Davis, where are you hanging out?
- S3 30:47 I'm everywhere all the time buddy. But mainly tgf.co.nz.
- S1 30:53 And Vaughn Davis on Twitter. Rick Shera, what about you?
- S4 30:56 You can find me on our website, www.lojo.co.nz or on Twitter @lawgeeknz.
- S1 31:05 And Paul, where are you hanging out?
- S2 31:07 I'm at Tuanz, T-U-A-N-Z, dot org dot NZ, or you find me on Twitter most days at @paulbrisen.
- S1 31:13 Perfect. Well once again, thank you so much for taking part and putting some opinions in about the topic we've just discussed, which is why is New Zealand not yet the destination of choice for the worlds best entrepreneurs. And I certainly think we've raised a few points there that you might want to discuss yourselves with these guys. In the meantime check out the website, themoxiesessions.co.nz. You'll also find this as a podcast up on Itunes and also Mixcloud as well. My name is Glenn Williams, being here with you here in London, the rest of them over there in New Zealand. I'll catch you next time, see you.