

Subject: Tech City

Report to: Economy, Culture and Sport Committee

Report of: Executive Director of Secretariat

Date: 8 November 2011

This report will be considered in public

1. Summary

- 1.1 This paper proposes that the Committee holds a meeting examining the vision and plans for the Tech City project in East London.

2. Recommendations

- 2.1 **That the Committee agrees to invite Eric Van Der Kleij, CEO of the Tech City Investment Organisation, as well as representatives from other key organisations to the Committee's December meeting to assess the vision and plans for the Tech City project, including the potential role of the Mayor.**
- 2.2 **That the Committee agrees to consult with digital and creative businesses and investors, in advance of the December meeting, to seek their views about the Tech City project and what questions the Committee could usefully ask Eric Van Der Kleij.**

3. Background

What is Tech City?

- 3.1 A number of digital and creative small to medium start-up companies¹ have established themselves around the Old Street roundabout and Shoreditch areas. In just three years, the originally small cluster of high-tech firms around the Old Street roundabout has become the capital's leading hub for digital, creative and high-technology companies. It has grown from around 15 companies to over 300.²
- 3.2 On the 4 November 2010 the Prime Minister made commitments to support the technology cluster in East London; this vision is being referred to as the 'Tech City' initiative. The government is keen to capture and support the growth already happening and to link it with opportunities for new digital and media companies to establish themselves on part of the Olympic Park.

"Our ambition is to bring together the creativity and energy of Shoreditch and the incredible possibilities of the Olympic Park to help make East London one of the world's great technology centres" – the Prime Minister, 4 November 2010³

¹ A startup company or startup is a company with a limited operating history. These companies, generally newly created, are in a phase of development and research for markets. Startups come in all forms, but the phrase is often associated with high growth, technology oriented companies.

² From the Tech City UK website at: <http://www.techcityuk.com/##>

³ The Prime Minister's East End Tech City speech, 4 November 2010, available online at: <http://www.number10.gov.uk/news/east-end-tech-city-speech/>

- 3.3 The proposals announced by the Prime Minister include:
- Investment in new Technology and Innovation centres⁴ – including one on the Olympic Park;
 - Reform of the visa system for highly skilled migrants to enable the employment of the highly skilled individuals needed for the industry;
 - Review of intellectual property laws to “make them fit for the internet age”; and
 - Encourage private business, universities and investors to support the Tech City vision. For example, BT has agreed to bring forward the roll-out of superfast broadband in the Old Street-Shoreditch area. Support has been given by a number of big digital companies such as Google, Facebook, Intel and Cisco to establish facilities and offices in Shoreditch/Old Street or the Olympic Park.

What are the key features of the industry?

- 3.4 Digital industries contribute an estimated £130 billion to the UK economy. Businesses in the digital economy and the creative sector tend to be small or micro companies, less capital-intensive and often form tight geographical clusters.⁵

What has the government done so far?

- 3.5 The government, through UK Trade and Investment (UKTI), has established the Tech City Investment Organisation (TCIO). It provides practical expert support for start-ups and growing businesses. TCIO employs entrepreneurs, technology specialists and inward-investment professionals whose aim is to help develop Tech City as a magnet for technology-led investment, innovation and talent. TCIO’s aim is to make Tech City one of the world’s top destinations for tech entrepreneurs, alongside places like Silicon Valley and New York.
- 3.6 Separately, the government has announced a £1 million Tech City Launch-pad competition, being funded by the Technology Strategy Board.⁶ The competition opened on the 6 May 2011 and companies have the opportunity to apply for funding of up to £100,000 for their projects as well as help to find match funding to support their ideas.⁷

What is the Mayor doing?

- 3.7 The Mayor’s Economic Development Strategy states he will “only intervene in the economy when he can be confident that it will do more good than harm”.⁸ In the strategy he makes a commitment to promote long-standing sectors in London but also those which are growing and emerging.⁹
- 3.8 The Mayor believes that the London 2012 Media Centre offers space and infrastructure that could be attractive to digital and creative businesses and could become a key hub in East London.¹⁰ There have been reports that the OPLC is currently considering proposals for a digital and creative business complex in the Olympic Park as one of the legacy uses for the Olympic Park.¹¹
- 3.9 The Mayor’s London Plan has a key strategic role in outlining future areas of growth and development in London and how the Mayor will treat all planning decisions that fall under it. The newly updated plan gives planning support to the provision and creation of a range of workspaces

⁴ Technology and innovation centres focus on a specific technology where there is a potentially large global market and a significant UK capability. These centres can enable businesses to access equipment and expertise that would otherwise be out of reach, as well as conducting their own in-house research and development. They can help businesses access new funding streams and point them towards the potential of emerging technologies.

⁵ UKTI, Press release, 4 April 2011 at: <http://www.ukti.gov.uk/uktihome/media/item/print/129333.html>

⁶ Sponsored by the Department for Business, Innovation and Skills (BIS) the Technology Strategy Board is a business-led government body which works to create economic growth by ensuring that the UK is a global leader in innovation.

⁷ UKTI, Press release, 4 April 2011 at: <http://www.ukti.gov.uk/uktihome/media/item/print/129333.html>

⁸ The Mayor’s *Economic Development Strategy*, p 12.

⁹ The Mayor’s *Economic Development*, p 28.

¹⁰ Introduction to *East London: world-class centre for digital enterprise*, McKinsey&Company, March 2011.

¹¹ Digital Gateway, Thames Gateway London Partnership, January 2011 p 3.

suitable for new and existing enterprises of all kinds, including “a high quality media and creative industry cluster at Hackney Wick that will provide premises and opportunities for local and global businesses”. This will be “underpinned by strong technological infrastructure”.¹²

Challenges

- 3.10 The construction of the broadcast, press and media centres and the provision of new IT infrastructure on the Olympic Park presents an opportunity for the emergence of a new digital cluster. However, there is a contrast between the existing digital creative cluster located around Old Street and Shoreditch and the model for the largely new build, more managed Olympic Park.

“Start-ups sprang up in Shoreditch because it was cheap and vibrant and cool, and applying that to the Olympic site will be challenging”¹³ – Joe White, Chief Executive, Moonfruit

- 3.11 It will potentially be a challenge making the Olympic Park attractive to small creative businesses because of the risk that the Park is expensive, corporate and relatively sanitised.
- 3.12 Cllr Guy Nicholson from Hackney argues that intimate local knowledge of the cultural and economic milieu of the neighbourhood that Tech City is operating in is required by those determining the policy in this area. This will help them to determine when intervention in the local area is required and when it would not be helpful.¹⁴

Previous Committee work

- 3.13 The Committee has previously considered the use of the Olympic Park media centre¹⁵ in its 2010 report *Legacy United? The legacy of London’s Olympic venues*.¹⁶ The media centre is based on the north-west of the Olympic Park near Hackney Wick. As set out in the report the government and private sector bodies responsible for building the venue had been working towards achieving a hub for the creative industries on the Olympic site. This was endorsed by the Mayor, the previous government and all five host boroughs. The OPLC confirmed it is also keen to secure a creative hub on the park.¹⁷ It would be useful for the Committee to explore further how these plans for the media centre are linked in with the Tech City vision.

4. Issues for Consideration

Suggested approach

- 4.1 The Committee has agreed to use its November or December 2011 meeting to look into the Tech City project. It is suggested that the Committee use this meeting to receive a briefing from Eric Van Der Kleij, CEO of the Tech City Investment Organisation (TCIO). TCIO is part of UK Trade and Investment.
- 4.2 In his role Eric Van Der Kleij is responsible for accelerating the tech cluster based around Shoreditch and the Old Street roundabout. Eric has over 25 years’ experience as a technology entrepreneur, including founding and growing Adepta, a fraud and collections technology business, for which he

¹² Policy 2.4: The 2012 Games and their legacy, *The London Plan*, July 2011.

¹³ Joe White, Chief Executive, Moonfruit (web design service), quoted in *Tech City: the Tories’ corporate, top-vision for UK tech*, Guardianonline, 4 November 2011.

¹⁴ Cllr Guy Nicholson, *Digital Gateway: The future of the Digital Economy in the London Thames Gateway*, Thames Gateway London Partnership p 16.

¹⁵ The media centre is comprised of two separate but closely related developments: The International Broadcast Centre and the Main Press Centre. They are both located within the same venue.

¹⁶ *Legacy United? The legacy of London’s Olympic venues*, Economic Development, Culture, Sport and Tourism Committee, September 2010.

¹⁷ *Legacy United? The legacy of London’s Olympic venues*, Economic Development, Culture, Sport and Tourism Committee, September 2010, p 34.

raised US\$40 million in venture capital. Eric is an 'entrepreneur-in-residence' with the UK Government, previously acting as Chief Adviser to UKTI's Directorate for Investment, implementing major investment projects with "exceptional global potential".

- 4.3 The Committee's questioning of Eric Van Der Kleij would provide a public platform from which to assess the vision and plans for the Tech City project, including the potential role of the Mayor.
- 4.4 In addition the Committee could invite representatives from the following organisations:
- Digital and creative businesses and investors based in the Shoreditch and Old Street areas: Tech Hub, Digital Shoreditch;
 - International digital companies: Google, Twitter and eBay;
 - Local and regional government representatives: the GLA and local authorities; and
 - Academics: London Business School and Cass Business School
- 4.5 In advance of the 6 December 2011 meeting the Committee will consult with digital and creative businesses and investors based in the Shoreditch area and seek their views of what questions the Committee could usefully put to Eric Van Der Kleij. It is proposed that the Committee write to the Mayor to seek written advice outlining his role in the Tech City programme. In addition, Members may find it useful to attend a site visit to the Shoreditch area where they could meet with businesses and incubators based in the area.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

None

Local Government (Access to Information) Act 1985
List of Background Papers:
None
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