



Select Committee on the European Union

Internal Market Sub-Committee

Uncorrected oral evidence: Brexit: start-ups and scale-ups

Thursday 28 June 2018

10.15 am

Watch the meeting

Members present: Lord Aberdare (Chairman); Baroness Donaghy; Lord German; Lord Liddle; Baroness Randerson; Lord Rees of Ludlow; Lord Robathan; Lord Wigley.

Evidence Session No. 2

Heard in Public

Questions 8 - 14

Witnesses

I: Dr Sean Radford, Founder and Chief Executive Officer, TrainAsONE; Ian Jones, Co-Founder and Chief Strategy Officer, AMPLYFI; Ellenor McIntosh, Director of Operations and Co-Founder, Twipes; Steven Hunter, Co-Founder and Chief Executive Officer, 9fin; Francesca Hodgson, Co-Founder and Chief Operating Officer, GoodBox.

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Examination of witnesses

Dr Sean Radford, Ian Jones, Ellenor McIntosh, Steven Hunter and Francesca Hodgson.

Q8 The Chairman: Welcome. We are missing one person, but in the interests of time we will make a start. I am Lord Aberdare. I am standing in for Lord Whitty, who is our Chairman. I remind you that this is a public session, it is being broadcast, there will be a transcript and you will have an opportunity to correct any errors in the transcript.

We are delighted to have a group of start-ups to contribute to our inquiry on the implications of Brexit for small and medium enterprises, particularly start-ups and scale-ups. I think you mostly fall in the start-up category, but you will no doubt tell us if that is not the case.

We have quite a number of you and limited time. We hope to end by about 11.45 am. We will try to make it fairly free form, but we have a series of topics to cover, which you have probably been sent, and I will try to keep things moving. The main point is that you should not feel that you have to answer every question, or we will be here much longer than either you or we would prefer.

It would be helpful if each of you gave a short introductory statement about who you are, what your business is and does, and any specific Brexit issues that you want to cover during the session.

Steven Hunter: Thank you very much for inviting me here today. I am the CEO and founder of 9fin. We use artificial intelligence to read financial documents and then we license the insights from those documents to investment banks, asset managers and hedge funds. We are an early-stage company, backed by venture capital. We generate some revenues, not nearly as much as I would like, but we are very early on.

Our concerns about Brexit are principally things that I am sure you have heard before: employment, retaining some of the existing benefits of London as a start-up hub, and addressing any perception issues that it might cause for people we are trying to hire and employ as we grow our business.

Francesca Hodgson: I am co-founder and COO of GoodBox, which is a technology fundraising specialist. Our core proposition is contactless donation points. We build everything from the hardware to the software that drives it. We are an FCA-regulated payment institution. We are trying to build a social impact social network that gives charities and the non-profit sector the tools and resources they need to fundraise successfully and drive successful fundraising campaigns in a millennial and increasingly cash-free society.

In London alone, we work with institutions such as the Natural History Museum, Tate Galleries, V&A, and the National Portrait Gallery in the museum sector. We have an organic pipeline of over 600 UK charities wanting to work with us to leverage not only our technology and our tools, but our insights into how to drive successful fundraising campaigns.

We are on a mission to make fundraising feel good again, to increase donor engagement and to grow the non-profit sector.

For us, Brexit is probably predominantly about human resource. When you build technology platforms, talent is absolutely critical—the right people with the right ideas. We have been approached organically by 11 countries, about 50% of them in the European Union, wanting to work with our technology and platform. There are a couple of key concerns for us as an organisation.

Ian Jones: I am a co-founder and CSO at AMPLYFI, which is a deep-tech start-up specialising in artificial intelligence. We developed a platform called DataVoyant that enables organisations to enhance hugely their business intelligence and research capability. Very broadly, the machine enables them to unlock the internet, so it saves them having to search for, download, read and analyse materials. The machine will work across millions of documents, is capable of working across all modern languages and is cloud-hosted.

We are a small start-up. We established the company in 2015 and we are based in Cardiff. We do not have massive concerns about Brexit. We are focusing on the positives. Like most markets, the biggest issues for us are access to talent and IP protection, but from our perspective that is the same whether we are looking at the EU or anywhere else in the world.

Ellenor McIntosh: Thank you for having me. I am the co-founder and scientist behind Twipes. We make the world's first truly water-dispersible and flushable wet wipes. Ours break down in three hours, whereas the others take over 100 days to break down.

At the moment, our concern about Brexit is access to market. Our manufacturers are actually in the EU, and I want to know what will happen for us as a company during and after Brexit. What can we do? We had investors pull out when we found out the result of Brexit because the uncertainty is so great. For us, it is about clarity.

Dr Sean Radford: I am a medical doctor and healthcare IT consultant with specialist knowledge in artificial intelligence and machine-learning. I am the founder and CEO of Anticipatory Health Limited, which is an early-stage technology start-up where our key product is TrainAsONE, which is a revolutionary award-winning artificially intelligent personal running coach. The aim is keeping people of any ability fit, active and injury-free while training, with longer-term ambitions for general health, wellness and social prescribing.

In the first part of this year, we graduated from a sports technology incubator with London Sport and are currently on a health and fitness accelerator with the Open Data Institute and Sport England. In addition, we engage in national and academic research projects.

Reviewing the effects of Brexit on our company, we identified four key areas of perceived risk to the organisation. Some of them have already been mentioned today, such as uncertainty about the retention and recruitment of staff. In addition, there is future access to finance, the implications for future research with organisations such as universities and the possibility of regulatory divergence.

Q9 The Chairman: Thank you very much. It is good to have a fairly divergent range of activities, although most of you are technology based. Twipes is probably also technology based, but it is good to have a manufacturing organisation here, too.

The first topic we want to cover, which you have all addressed to some extent, is how you see the business outlook in the light of Brexit and whether there has been any specific impact on the outlook for your business, such as Ms McIntosh mentioned, but on the other side whether you see any opportunities that might not have existed in the absence of Brexit.

As I said before, there is absolutely no need for all of you to reply to all the questions, but does anybody have any other points? Ms McIntosh, did you want to expand a bit on the manufacturing challenge that you clearly have?

Ellenor McIntosh: Yes. At the moment, our product is manufactured in Estonia, so we have access to the single market, we are able to go over and freely trade. One of the implications of Brexit is that there will be changes to the single market. I do not know what those changes are. Will we incur more fees and more taxes, and will we have to charge our customers more?

If I have to charge my customers more, that ties into why our investor dropped out. Basically, our investor said, "Your business is dead. You're going to be taxed a lot more, because you're getting your product overseas. As a result, you're going to have to charge your customers more and they are not going to want to pay. That is why I am leaving".

As a result, we are wondering what to do; we do not know what the implications will be for us. We could move our manufacturing to the UK, but then we have the other problem of it being three times more expensive than in some of the countries in the EU. That is our main problem at the moment.

The Chairman: Where are your main markets? Where are your customers mostly?

Ellenor McIntosh: They are in the UK. At the moment, we are focusing on the UK. We want to expand to the EU, but with Brexit we are very wary.

The Chairman: Are there any other specific issues? Ms Hodgson, I am intrigued; I am not sure that I have consciously seen a GoodBox yet, but I should have done because you are obviously in all these places. Are you expanding into Europe or planning to expand into Europe?

Francesca Hodgson: Yes. For us, one big concern would be our FCA regulatory status and how that passports into Europe. We work with an Icelandic acquirer, and cross-border acquiring is not currently an issue because we are part of the European Union, but what happens when we leave? Again, it is about clarity, so that we can plan and put the relevant procedures in place.

Lord Wigley: The timescale towards which we are working for any changes that may follow may be by 29 or 30 March next year or at the end of a transition period. Could I ask Ms McIntosh in particular, and, if it is relevant, Ms Hodgson, at what point does your planning cycle become critical in relation to such a date for a change? If it is next March, you need to know pretty instantly. If it is later, in 2020, does that leave you more room?

Ellenor McIntosh: For most businesses, start-ups in particular, the sooner they know, the better; they can make changes quickly. The sooner I know, the better I can make changes to my manufacturing costs or my distribution routes, and tell my customers what our price is going to be. At the moment, we are with B2B. Before we go to our consumers and our customers, we have to give them a good price point that is comparative with what is already on the market.

We want to stop people using traditional wet wipes. Most people buy based on price, so price point is super-important to us. The sooner I know about it, the better I can make those changes.

Lord Wigley: What is the minimum lead time for that for you?

Ellenor McIntosh: Maybe six months to a year.

The Chairman: You mentioned that you had thought of manufacturing in the UK, which would be much more expensive. Have you also thought of moving the business entirely into the EU and operating from there?

Ellenor McIntosh: Yes, I have. We have something set up in Estonia and can use Estonia as a base, but we would really prefer to stay in the UK. Our customers are in the UK and I would prefer it if our base was in the UK. My home is in the UK. Uprooting and moving everything over to Estonia is quite risky for us as a start-up. We do not really have the money to transport everything, which also comes with its own challenges, but it has crossed my mind and it was something we put in place when the Brexit result was revealed.

Ian Jones: For us, or any business actually, it is about certainty. I want certainty about the rules and the boundaries within which I can do business. I want to see an outcome. Let us say that it is March next year, and that is it; there is no state of flux that follows, everyone is happy with the arrangements that are agreed, and it is a win-win situation.

I tend to find with negotiations that if it is not, and the parties are not happy with the settlement, people will want to change the rules. The

sooner we have certainty about timescales, the better, and if it can be concrete certainty, that is even better.

The Chairman: Let us move on to access to talent, which quite a number of you raised.

Q10 **Lord Rees of Ludlow:** I would like to ask particularly about recruitment from the EU and the rest of the world, and any problems you have had with the visa regime, getting tier 1 visas and that sort of thing. In the case of AI, there is probably such a strong community in the UK that you are not so dependent on foreign talent, but in other areas you may have the impression that there will be a serious downside if one cannot so readily get people to move here from the EU. It will probably affect you all.

Steven Hunter: Yes. It is an important issue for us. Our team is largely European. We look for talent and we look to hire the best people, but it is also about where that pool of talent is, and the pool of development talent is largely in London today. We are focused on fintech and AI, and London is arguably the capital for both.

For me, it is as much a question of perception as anything. Whether or not it was intended that way, some of our employees and some of the people we speak to perceived the Brexit vote as, "You're less welcome here than you were previously". Whether that is the case or not is a different question, but that is sometimes their perception, so for us it is about reassuring our employees and encouraging them still to come to London as a great place to work.

Lord Rees of Ludlow: How many of them are citizens of European countries outside the UK?

Steven Hunter: Six of our team are from continental Europe.

Lord Rees of Ludlow: Out of how many?

Steven Hunter: Eight.

Francesca Hodgson: Our entire technology team is based in Europe, building our platform, and although they are registered to a UK entity, because they can be, they will have issues with Brexit. Again, it is about clarity, and how we protect and maintain the best resource.

Lord Rees of Ludlow: Is it a matter of perception, or have you had any experience of trying to get visas for people?

Francesca Hodgson: No. We are fortunate in that technology connects the world anyway, so when people are working outside London we are on daily Skype calls and we use various technology business channels to operate.

Lord German: Can I check on an issue that has been raised about the free flow of data? Have you perceived difficulties in the free flow of data between the UK and other European countries? The issue has been raised

with us, particularly by tech companies.

Francesca Hodgson: We are quite early stage, and it is not something we have proactively considered. We have been heavily involved in raising capital for the business, which has taken up most of our time, as founders, in the last couple of years, but it is a valid point and again it comes down to clarity. Data is important.

Ian Jones: We do not have that issue. We work entirely with open-source content on the internet where there are no boundaries or barriers.

Dr Sean Radford: We have not seen a direct impact on access to talent. We still have our original core team, and that will change in 2019. However, we see the issue you raise as a potential. As we diverge from the EU, it will be about formulating an artificial intelligence strategy, and the flow of that data will be available to EU member countries. As a healthcare start-up, we rely on data, and there will be sets of data that we may not have access to or the ability to get. The UK does not have a say on those authorisations, so there is a perceived threat, but not one that we have actually seen yet.

Ian Jones: We look at the positives. We have had no trouble attracting talent both from within the UK and from the EU, which is primarily where we have recruited. We have been very successful using the Erasmus student network. We would struggle if we did not have access to platforms such as that. On the other side, we tend to find that those networks inherently channel you to recruiting from the EU, so one opportunity that Brexit brings is that technically it should open our talent pool for recruiting from outside the EU.

To some extent, it boils down to issues in getting people visas, and the costs and the time it takes to process those applications. That is the biggest issue for us, particularly as a start-up, where we are resource and capital constrained.

Lord Rees of Ludlow: You depend a lot on the EU at the moment.

Ian Jones: At the moment, yes. To be honest, we do not think about nationalities: a team is a team and we think of people and talent. If I had to guess, the split between UK and EU nationals is probably 50:50.

Lord Rees of Ludlow: Do some of them already say that they are not going to stay, or that they are worried about being less welcome in the future?

Ian Jones: I have to be careful what I say, because they are watching. No. I think everyone wants to stay. The issue is: can they stay? That is the big uncertainty for us. That is out of our hands.

Lord Robathan: Building slightly on what you said, Mr Jones, do any of you currently employ Americans—after all, quite a lot of things go on in Silicon Valley—or indeed Indians or Chinese, who similarly have pretty high-tech industries?

Ian Jones: Unfortunately, we do employ an American.

Lord Robathan: You do.

Ian Jones: He is a co-founder.

Lord Robathan: There you go.

Ian Jones: He is very tall and he is very loud, but he is the driving force behind AMPLYFI, so, yes, we do.

Lord Robathan: That is where you have the problems with visas. How long would it take to get a visa typically?

Ian Jones: He is fine. He has been here for years.

Lord Robathan: What if you were to employ somebody new?

Ian Jones: We are recruiting, and we were interviewing a candidate from Australia. He was not successful, but when we looked at the costs, the time and the effort it would have taken to get him across if he had been successful, to be honest that probably would have been a factor in whether or not we made him an offer.

Lord Robathan: That is something the British Government could sort out.

Ian Jones: They could sort it out. Whether they will do it carte blanche for everybody or just lighten the bureaucracy for SMEs, I do not know.

The Chairman: Picking up on that point, do any of you have other thoughts about things which the Government could do to make it easier for you to access and recruit the talent you need? This is your chance to put on the record some thoughts on what would make your lives easier. You have just covered one specific thing.

Dr Sean Radford: I have not had this experience, but I presume that often it is not just the individual who will be coming over to work. They need to relocate with their family, so it is about making that process easy and providing incentives to do that.

Ellenor McIntosh: We hire within the UK at the moment, because we are not big enough to hire outside. We are happy with our talent in the UK, but when businesses want to get people from outside the UK and within the EU, and even from the rest of the world, it is about reassuring them that they are okay to apply for UK jobs, that they are not going to lose their visas and lose their homes.

Lord Rees of Ludlow: Estonia is a high-tech place, and although you are not directly in high-tech you probably know the Estonian scene. Do you have any feeling for what Estonians think about possibly coming to work in the UK after Brexit?

Ellenor McIntosh: After Brexit, I think Estonians would be a bit scared. Coming to the UK and working in the UK is always a bit of a dream. Working in London is the dream. Working in a very high-tech environment in cities such as Manchester or Leeds is a dream. Brexit is now making it not impossible but uncertain. They do not know where they can go, and there is a lot of talent in Estonia, a lot of ambitious and creative people who really want to have a great impact in the UK.

Lord Rees of Ludlow: One of you mentioned Erasmus programmes, student exchanges and things of that kind. It was not quite clear to me how that would link directly to employment.

Ian Jones: It is effectively a portal for us and for students; it is a dating agency. We register an interest that we have positions coming up and students, either as part of their studies or when they have just completed their studies, are looking for employment in an interesting sector in one of the most exciting start-ups in Europe, so they find us through that portal.

I understand that the programme is starting to expand beyond the EU. Picking up an earlier question, it has just occurred to me that the Government could start something similar worldwide, enabling companies to register positions that are coming up and for students globally to register. Perhaps the transfer process could be managed through that portal as well.

Lord Rees of Ludlow: It will make a difference if they feel that they could, in principle, stay on for longer if they wanted.

Ian Jones: Yes, absolutely.

Lord Rees of Ludlow: Are there any other thoughts on visas? Have you had experience of tier 1 visas?

Steven Hunter: We have not had direct experience with getting visas for candidates, but, from a hiring perspective, the right to work in the UK is one of the things where you just tick the box to say that they have residency in the EU and you do not really have to think about it. Hopefully, we will not have to think too much more after Brexit, but it is a very competitive market for talent.

The flip side is that if people have two offers—one is in the EU and the other is in the UK, and they are looking at how difficult it is to gain the right to work—it could have an impact from their perspective, but so far we have not had anyone turn down a job offer from our company or take a job in Europe instead of the UK.

Lord Rees of Ludlow: Are you thinking about people who do not come from the EU at all—Americans or Indians?

Steven Hunter: We have not really thought about that much yet. We have had sufficiently high-quality talent coming from within the UK and

within Europe, but our ambition is to be a global company too, so we will obviously look to the US.

The Chairman: I might come back later to the question of your ambitions. We are interested to know about them, because we have had some discussion about how start-ups become scale-ups, and whether they actually want to become scale-ups or just want to sell themselves to somebody and retire on the proceeds.

Q11 **Lord German:** I want to look at funding and support as a package. You can distinguish them if you want. In the introductions, somebody raised the point about access to funding or access to cash. Have any of you ever had support from a European Union-funded programme or cash from any European Union-funded programme? I know these are all often melded into UK programmes, so it is not usually obvious that the source is part-funding from Europe, but to your knowledge have you ever used them? Would you explain what you have had, and has it become more difficult since the referendum?

Dr Sean Radford: We have had marketing support: a series of workshops and assistance on marketing for start-ups. It was good in itself. It was since the referendum, so I cannot say how it differs from before. The issue I have found with supports and grants backed by the EU, which would not necessarily change after we leave, is that the processes are difficult to find, particularly for a start-up, and it can be quite onerous and lengthy to go through them and actually acquire the funding. Most times we have not gone for it, because by the time we needed the grant it would have been too late.

One idea for the future would be to try to streamline that process. Start-ups are very agile. Often those processes are in place for large manufacturing plants, which have long lead times. We are not in that situation, so we just forgo those sorts of grants.

Ellenor McIntosh: Maybe it is slightly different in the environmental sector. We applied for a grant through Climate-KIC, which is an EU-funded accelerator programme. I think you can get up to €50,000. Climate-KIC coaches you and gives you mentorship.

We went through the programme; it was not too lengthy. The application process was not difficult. It was really streamlined and quite simple, but it is just one of the many programmes that are available, and we do not know about them. As you said, it is about making it easier for people to see what opportunities are there.

I cannot exactly remember when we did stages 1 and 2 for Climate-KIC, but I remember that the programmes are—falling apart is the wrong phrase—definitely reduced; there are not as many as there were. They used to be in many different countries all over Europe. At first, they started closing down the UK offices, and now they are starting up again. During the referendum they were uncertain, because they did not have access to funding; they were not really sure how much funding there was

going to be and what the implications were. They just did not know. It comes down to uncertainty. We have had some EU funding, but it is heavily reduced compared with what it was before.

Lord German: I will come back to my second question in a moment, but has anybody else had any support?

Ian Jones: We have not accessed EU funding directly. We have heard anecdotes that, post the referendum, with things such as Horizon 2020, there seems to be some bias towards mainland European countries, so there is some element of discrimination in allocating funds through Horizon 2020.

One reason why we have not tapped into European funding is because of the difficulty and the length of the grant application process, but mainly it is because we have a very positive and mutually supportive relationship with the Welsh Government. Some of their incentive packages and programmes are absolutely fantastic. Innovate UK could look very closely at some of the processes of SMART Cymru and its accelerated growth programme. It would learn an awful lot.

Lord German: Most of those programmes are funded by Europe.

Ian Jones: That is an issue going forward.

Lord Robathan: Most of those programmes were funded by the UK taxpayer through Europe actually.

Ian Jones: Yes, not all the capital comes from the EU, but it is important to ensure that in some way those funding levels are at least maintained. They are absolutely essential. The Welsh Government have been fantastically proactive in getting ahead of the curve for positioning post Brexit. The way they have reinvented Finance Wales as the Development Bank of Wales is outstanding. Its inward investment team is absolutely superb. It has created a very good template from which the rest of the UK could learn.

The Chairman: You have a friendly audience, because more than half the Peers present have Welsh connections.

Ian Jones: Despite my surname, I do not.

Steven Hunter: We do not have direct European funding, but one of the limited partners and investors of a venture capital firm that backs us was the European Investment Fund. I do not think it was official policy, but after the Brexit result a lot of UK-based venture capital companies had very limited success in raising funds from the EIF.

I understand that has changed slightly and it has again begun to invest as an LP in some venture capital funds, but it had some knock-on effect on the number of venture capital funds that people could speak to. If they have difficulty raising money, it takes a little longer for it to trickle down to us.

Lord German: My second question follows on from that. You have all given "Reduce bureaucracy" as an answer. I have heard that all my life. You can make effective changes. In any of the areas of support you have had, whether it is the support you have described or cash, are there lessons to be learned about what we could do if we had the money available to do it for ourselves? I say "if" we had the money available.

Steven Hunter: It is quite important to maintain some of the existing programmes that we have today, and if we can expand them, even better. Things such as EIS and SEIS tax relief are incredibly supportive when you are raising your first round. We also have the London Co-Investment Fund as one of our investors. Those kinds of programmes are incredibly useful, and the extent to which they can be maintained and enhanced afterwards will be very important to keep London as a fintech capital.

Ellenor McIntosh: It is a case of making it easier for start-ups to both access and go through the process. It is not about holding everyone's hand through the process, but helping them so that they understand it a lot better.

Lord German: Maybe you should relocate to Wales.

Ellenor McIntosh: Maybe.

Ian Jones: That is exactly it. We have given up bothering with Innovate UK. You apply for a grant and you have to work up the application yourself, you submit it and three to six months later you might get some feedback, and it is binary: yes or no.

Ellenor McIntosh: I did not want to name names.

Ian Jones: You have to be open and transparent.

You are in the dark the entire time. If you apply for a grant through SMART Cymru, you get someone allocated to you who helps you with your application and they give you feedback so that, when you submit it, it is as good as it can be, and you get a decision really quickly.

EIS and SEIS are critical to our investors. Without that, they would not be on board. If you had a big pot of money, you should think about how you would use it. Having a big pot of money is okay, but one thing you have to do is burst the London and South-East bubble and deploy it better in the regions.

Lord German: There is a question on that later.

The Chairman: Ms Hodgson, do you have anything to add? You are based in Manchester, I think.

Francesca Hodgson: Our head office is in Manchester and my co-founder is based there, but we also have a satellite office in London. We find that, to date, we have more employees based in London than in

Manchester; it was just where we sourced the talent. We do not mind so much where people are based geographically; it is about having the right individuals.

On the funding side, I could not agree more with everyone else on the panel. We are looking at accessing Innovate UK grants, but we have been approached by a third party to make the grant on our behalf because they have an 80% success rate in getting grants versus a 5% success rate for an individual going it alone.

When you start a company, you almost have to be a jack of all trades, trying to work out HR, the legals and how to VC-fund. It seems overly complicated, even the EIS structures. I cannot tell you the number of YouTube videos I have watched on EIS, trying to understand how it works. If the whole process was simpler, it would help, because, as Ian said, EIS funding is critical, especially at the seed stage, because it reduces the risk for individual investors.

Ian Jones: I regularly get emails from companies saying that they can get money for us. Effectively, they are offering to help us leverage R&D tax credits, which we do already. We max out on R&D tax credits. It seems wrong to me that a company can build a business around helping other companies leverage what is effectively free money or incentives. That tells me that the process for those incentives is too complex and too opaque or they are not being advertised well enough. How on earth can a business approach me saying, "We can help you to access incentives and improve your success rate with Innovate UK"? Building a successful business around that just feels wrong.

Ellenor McIntosh: I could not agree more.

Lord Rees of Ludlow: Do you have any other comments on Innovate UK? It is in transition, so if we can get any messages to it about what would be important to small companies, that would be useful.

Ellenor McIntosh: It should streamline its process, be more transparent and provide detailed feedback. I understand that Innovate UK gets lots of application forms, but providing detailed feedback helps people in the future.

Ian Jones: It also has to recognise that as a start-up our biggest resource is our time; it is certainly not money. We are based in Cardiff. We applied for a grant and were required to go to London twice to be interviewed and practise our pitch. We made a third visit to the event itself and we were not successful. We cannot afford to run up and down; we cannot afford the rail fare. It has to be realistic about what resources start-ups have.

We were fortunate to participate in a trade mission to Singapore that it hosted, which was fantastic. I know the Asia-Pacific region very well. The way to do business there is to turn up regularly and have face-to-face meetings; you have to build the relationship over a long period. It is not

like the US. I cannot turn up and do a deal straightaway. I have to build friendships.

I was told, "In order to deliver value for the taxpayer, we have to get as many companies out to Singapore as possible, so you'll do this trade mission but no further ones", but I will have to go back to build the relationship or strengthen the network I had made. I cannot afford to do that. Has it been a good use of taxpayers' money to go out there once but not again and again to build on those connections?

Lord Rees of Ludlow: What could Innovate UK actually do?

Ian Jones: The start-ups that went on that particular trade mission bonded very well, to the extent that we got to know one another's businesses very well. We could not attend all the meetings as we had side meetings lined up, so we said, "I know your business so well that, when I am pitching to this company, I can pitch for you as well". One thing Innovate UK could think about is building a team of companies that know each other's business really well and take them abroad. It is like Team GB. You take the same team and move it around, and people can work for and promote one another.

The Chairman: That is interesting. We can come back to some of these issues if time permits. Lord Robathan is going to raise the issue of market access.

Q12 **Lord Robathan:** We have already heard from Mr Hunter about the ambition to be a global company, and Mr Jones has just talked about trade missions to Singapore. I am interested in the extent to which you export your services or tech services, whatever they may be, to the EU and what proportion of your market is in the EU in relation to the rest of the world, be it Singapore or wherever. There are also exports from the EU to the UK in the case of Twipes. What proportion of your sales is to the EU, if any?

Dr Sean Radford: We are purely an e-service. About 30% of our customers are in the UK, just over 40% are in mainland Europe and the rest are global. We were born global, as the phrase is nowadays. Of our other inputs, 62% is from the UK and 16% from mainland Europe. That is where the invoicing is rather than the actual organisation.

Lord Robathan: Let us not mention clarity. I think you have all mentioned it. By the way, lack of clarity is not unique to you lot, because we can all say that we have lack of clarity about where we are going, whatever position one takes. Is that fair? What barriers do you think might be erected to future trade with the EU, and who would erect them?

Dr Sean Radford: For us, the crux would be extra taxation, whether it is on input or output activities.

Ellenor McIntosh: I mentioned earlier that, if there are to be extra taxes or more charges, we need to know as soon as possible so that we can make the changes. One hundred per cent of our stuff comes from the

EU, so when it is coming into the UK we need to know what is going to happen.

Lord Robathan: By the way, having had a few septic tanks blocked by wet wipes that were allegedly biodegradable—not by me, I hasten to add—I think you have a great idea.

Ellenor McIntosh: Thank you.

Lord Robathan: Your manufactured goods would be imported from the EU, so the British Government would have to put a tariff on them.

Ellenor McIntosh: Yes, for sure. Whatever it is, let us know. That is the biggest thing. I do not want to use the word “clarity”, but we need to know as soon as possible.

Lord Robathan: I am with you on that.

The Chairman: Why is it so much more expensive to manufacture in the UK? Is there anything that could reduce our manufacturing costs?

Ellenor McIntosh: More space. You need to grow the island.

The Chairman: That is all right then.

Ellenor McIntosh: That is what we need. For us, it is about land space. It is more expensive in the UK, because there are higher-paid workers and less land. There is just not enough space. There are not many paper manufacturers in the UK. It is all done either in the Scandinavian countries or the Baltics, of which Estonia is part. In the UK, it is more expensive, because we do not have enough space to grow the trees, make the paper or do wet-wipe manufacturing. It all happens in the EU.

Lord Robathan: Notwithstanding the fact that we do not quite know what they are going to do, what could the Government do to help you to export to the EU after Brexit? I know there is lack of clarity, so it is a bit of a hypothetical question.

Ellenor McIntosh: For our business in particular, it would be a way of lowering the costs at the other end. If manufacturing costs are lowered in the EU, or tax reliefs that can help us in that sense, that is what the Government can do, besides the clarity point.

Ian Jones: We are in a privileged position in that our platform is cloud-hosted. You can access it from anywhere in the world via any modern web browser, so we do not have to worry about physical supply and distribution chains. Our biggest concern is IP protection and getting the bills paid, so the biggest thing the Government can do is ensure that whatever agreement framework is in place covers us, and has enforceable terms with avenues for recourse if they are not met.

Lord Robathan: Could you educate me, Mr Jones? Is it possible to introduce a tariff on your technical goods through the cloud? I just do not know.

Ian Jones: If you do business in, say, India and you are paid in-country, you have to repatriate funds to the UK. That would be the biggest issue for us when we market in those parts of the world¹, but that is an issue faced by everyone who does business abroad. It is not so much about taxation; repatriation of funds to the UK would be the biggest issue for us.

The Chairman: Presumably, access to data is also a big issue for you, as your business is based very much on analysing and producing results from large quantities of data.

Ian Jones: No. Access to data is probably the least of our problems, because it is primarily open source. We use a lot of academic papers. The great thing about academics is that they build their reputations on being published, so it is not in their interests to hide that stuff, and access to data is fantastic.

I do not think that Brexit has changed the fundamentals in any way. If you have a fantastic product that has high barriers to entry, is scalable and that people want, you will do very well. We have a software platform. If the EU wants to put up barriers that mean we do not market it in the EU, we will translate the front end and take it elsewhere in the world. We are ambivalent.

Lord German: You have twice mentioned intellectual property. Can you explain your concern on that matter? Is it because at the moment it is guaranteed? You have security and people can use it in countries that have signed up to the IPO agreement.

Ian Jones: Software is notoriously difficult to patent. The moment you do that, you reveal some of your secret source. It is very expensive to patent, because it is so difficult to do. We cannot afford the legal fees to do that in the first instance. For now, we have opted to operate under trademarks and trade secrets. It would be likely to be an issue for us if, say, we wanted to go to China. If we did business in China, they might insist that we host our software on servers in China. We would think very carefully about whether or not we did that.

Q13 **Baroness Randerson:** I want to come at this from a different angle. Have you ever been given the opportunity to say all this stuff to the Government? Have the Government ever asked you what you need from Brexit and what your problems would be from Brexit? I am talking about more than government offers of money. We have had information from other people in your situation that suggests that the Government tend to rely on the larger technology companies and talk to them rather than to start-ups and scale-ups.

Have you been consulted? Ian has been very positive about the Welsh Government. Has your consultation gone via the Welsh Government rather than the UK Government, or have you been invited to put your

¹ Note by witness: 'those parts of the world' meaning jurisdictions where "trapped cash" presents challenges around access to and repatriation of funds.

point of view by the UK Government? That applies to all of you.

Ian Jones: The answer is no.

Francesca Hodgson: No, other than today.

Ellenor McIntosh: The short answer is no. They will always go to the bigger companies first; those companies have the biggest voice. It is sad, because we make up quite a large amount of the sector. I have not had a chance to express my opinions and views, apart from today. I think I speak for the rest of us.

Dr Sean Radford: We have not been approached by government at all. We have thought about it. There are things the Government could do. Government or civil organisations often go to enterprises. There could be scope for putting procedures in place, similar to the EIS, to allow investors to de-risk their investment in a start-up and allow institutions, such as London boroughs in our case, to take on the services of a start-up where there is an element of risk.

If the Government could put some procedures or assurances in place to help to de-risk that and enable start-ups to get their first customers, it would make it a bit easier. They could do that rather than go for the tried and tested and not take a bit of a risk on new technology and start-ups. It would be nice to have some sort of collective voice for start-ups to help inform them, something like this session, and as a result having some guidance or a toolkit to navigate the situation post Brexit. We have a lot of experience of doing research and case studies. We would love to be involved in doing that sort of thing and provide case studies for other start-ups.

The Chairman: Who would you expect to represent you? I do not know whether any of you are members of bodies such as the Federation of Small Businesses or chambers of commerce? Who would you expect to provide a mechanism for your views to be heard?

Steven Hunter: Coadec represents a lot of start-ups. We have spoken to a few people there. We have also engaged indirectly on Brexit-related issues. We are part of a Google residency programme to do with AI. It commissioned a paper with the IPPR on Brexit and the impact on start-ups. There were a number of people at round tables from the DCMS and government, but it was arranged by Google and the IPPR, and I suspect that we would not have been asked to contribute if that was not the case, but that is the only way we have had any interaction.

Francesca Hodgson: We have just been accepted on an accelerator programme with an organisation called Public.io. We were fortunate to secure one of the places. Three hundred companies went for one of five places on that programme. Public.io helps you get access to the Government and the right resources and budgets. The volume of applicants it receives tells you a little about how much start-ups want to access that information.

Baroness Randerson: This is not a “University Challenge” question; it is designed to find out how good the Government’s advertising is and how good their processes are for getting information out there. Have any of you heard of the digital charter, which is the Government’s policy on advanced technology? Has it filtered down to companies at your level and size?

Steven Hunter: I have heard of it. I cannot tell you a lot about the detail of its contents. I think I saw yesterday that the Government had launched a new AI office with a number of high-profile names from industry. I have heard bits and pieces, but I saw that on Twitter, not any other sources.

Baroness Randerson: As a policy structure designed to encourage you, it has not been terribly effective, if you have not really had sight of it.

Ian Jones: We are just busy building a billion-dollar business.

The Chairman: Our next topic, which we have hinted at already, is about differing impacts of Brexit in different parts of the UK.

Q14 **Lord Wigley:** We are picking up threads that have already been brought into play. By way of background, the fact that two-thirds of the capital invested in technology start-ups between 2012 and 2016 was invested in London underlines some of the points that have been coming through. It links with the point Ms McIntosh made about the difficulty of getting space in south-east England, whereas there is plenty of space in some of the other parts of the United Kingdom. It has been suggested recently that London is better placed to attract overseas talent after Brexit because it has established a reputation for openness and diversity. Some of us like to think that exists in other parts of the United Kingdom as well, but it is identified here.

My question is particularly for those outside London. Is Brexit having, or is it likely to have, a different impact on you than on your counterparts in London? Is there likely to be a differential, or is it the same thing? I will come back with a more general question after that.

Dr Sean Radford: I should think it is the same thing; it is just that any effects will probably be seen quicker.

Lord Wigley: Let me come to a question that I find even more interesting. What action could the Government take to support start-ups and scale-ups outside London and the south-east post Brexit, when perhaps their hands will be freer to follow policies that could deliver that?

Ellenor McIntosh: Going back to what I was saying about the Climate-KIC programme through the EIT, at the moment it is based in Birmingham, which is one of its UK locations. I believe it has just opened an office in Ireland. It wanted to shut down the office in Birmingham for money reasons, but you should see the amount of talent that comes out of the Birmingham start-up space.

We went from London to Birmingham to do workshops, pitching and all the competitions, because that was not based in London. It is really interesting to see the attitudes and differences in start-ups. It is a different outlook. It is busy in Birmingham but not as busy as London, and there is not as much competition. You are constantly running into the same three companies. They are different businesses, but they are in the same environmental space. We have really good connections and friendships in Birmingham and it all came out of that programme.

One thing the Government could definitely do is put those programmes in different cities. Expand the London programmes to the outer regions for sure; there is a lot of talent out there, but we are so focused on London. We are a London-based start-up, so we are in the space, but when we go to Birmingham, Stoke and all the different regions, we find really interesting companies.

Dr Sean Radford: I agree with all that has just been said. There is also a marketing element. Start-ups that are not from London have been successful. You can do it; you do not have to go to London.

Lord Wigley: To what extent are there programmes and initiatives in London that to your best belief are not available outside?

Ellenor McIntosh: The Climate-KIC programme is available in London. There are certain things that you have to go through six weeks before, to get on the programme in London. The Birmingham programme was easier to get on to. Innovate UK has a lot of stuff in London. A lot of the workshops, programmes and stuff are in London, and you have to trek to London to find out more about Innovate UK.

London as the central hub for all innovation is both true and not true at the same time. There are plenty of companies in the outer regions doing incredible things, but as Sean said there is no real marketing; there is no shouting about companies in, say, Manchester or Leeds, or anywhere other than London. Everyone gets swept into the London box. People ask, "Where's your company from?" You say, "We're based in London now. We've moved from the outer regions because there is just not enough market. We have moved to London where there is more access to everything". The trickle-down effect of pulling resources from London and investing in the different regions would be really helpful.

Lord Wigley: That is interesting. Mr Jones, from your experience you referred to some of the benefits in Cardiff. Are they available in other areas, or are they specifically in Wales?

Ian Jones: Picking up your first question, the implication of Brexit is for UK plc. It should not hit London or the regions any differently. The differences have been engineered through programmes that favour London and the South-East. The UK has created those differences. When we first elected to headquarter in Cardiff, we looked at San Francisco, New York, Boston, London, Berlin and Beijing, and concluded that where we really needed to be was Cardiff.

Lord Wigley: Why?

Ian Jones: Because there are four or five top universities on our doorstep, and nobody in town is doing artificial intelligence. If you drive to downtown San Francisco from the airport, every other billboard refers to AI. How do you stand out and differentiate yourself? Back in the day, we were told by VCs, "Do not go to Cardiff. You need to be in London or San Francisco doing this or you will fail". Those same VCs are now knocking on our door saying, "Can we participate in your series A?" We say, "Maybe not".

One thing I find interesting is that, when I hear names bandied around, every name is a city. I live in Hampshire, even though I work out of Cardiff. A good friend at my local pub is looking to start his own company and he is nervous about doing it. I said, "I'll help you. I'll take you through the process of setting up a company, and away you go". I researched the incentives and support programmes available locally in Hampshire. I can tell you that there are zero incentive mechanisms and supports for start-ups, not just in Hampshire but in the M3-corridor space. There is a bias towards London and then cities. Beyond cities, it is apparent that there is nothing.

Francesca Hodgson: I agree. It always feels regional. Certainly, there are programmes relevant to each city. As our registered head office is now in Manchester, we are often approached by organisations that say, "Hey, we want to help you because you're a Manchester start-up". Our location should not matter. Our grand vision is to help to grow the non-profit sector in the UK. We want to create a platform and a company that can help all 185,000 registered UK charities. It should not matter where we are based geographically. The programmes that help companies should be more UK inclusive. Every city is fantastic and this is a great country. The programme should feel inclusive no matter where you are geographically.

Lord Wigley: Some of the benefits have been in areas that have had high-level European support from structural funds, which have been used in some instances to develop programmes specifically for small companies and start-ups. That has been the case in west Wales and the valleys.

The Chairman: My impression was that one area where London had a strong advantage was investment and venture capital, but Mr Jones gave a rather different perspective. Does there need to be more thought on how venture capitalists can be encouraged to broaden their geographical coverage?

Ian Jones: For me, the biggest issue facing the UK and Europe is the valley of death, with VCs on the whole being technology risk-averse. We are pre-series A. When we speak to some VCs, they say, "For us to invest in series A, we need to see repeat subscriptions". It is an annual subscription, so that is not going to happen. They want to see proof points across four or five clients. They want to see four or five

subscriptions in place before they will invest in your series A. A deep-tech start-up is generally not revenue generating until series C or D.

If we went to New York or Silicon Valley, we could raise money tomorrow, but at what cost? It is all down to, "I want to see your proof points. I want to see your technology and I want to see revenue streams pre-series A". That is almost ridiculous for a company like ours. We have been fortunate; we have met those proof points. The issue is more one of attitude than quantum of money. A handful of VCs will take technology risk, but there are not many. That is the biggest issue.

Francesca Hodgson: Our experience is exactly the same. We met between 20 and 30 VC funds across London and had great traction, but predominantly the funding for our series A came from individual investors and high net worth individuals rather than VCs. They are just so risk-averse. You need money to build a technology platform; building hardware and software is not cheap and you need to be able to employ the best talent. That does not come cheap. We are revenue generating; by series B or C, we will probably be in a similar position. We have found predominantly that it is too high risk for VC funds.

Baroness Randerson: This is a bit late in the day, but because of the direction the conversation has taken I ought to declare that I am pro-chancellor of Cardiff University. Because there has been so much reference to Cardiff and top universities, I need to get that off my chest for the sake of the record.

The Chairman: I was going to ask a general question of all of you. Could you look ahead a bit and share with us some of your thinking about future aspirations and how they might be affected by Brexit? I think you are all in the start-up phase. What are your aspirations? Are you looking to become a global scale-up over time? One of you mentioned that kind of thing. Do you see any risks or opportunities associated with Brexit that you have to factor into your future planning?

Dr Sean Radford: Our ambition is to be a health and well-being start-up company or organisation. We are not in it to build a business and sell to X, Y or Z in three to five years' time. That is not what we are about.

We have not really talked about the research side and working with universities. That is really important for us. We are already seeing a reduction in the funding to UK universities because of Brexit fears, so that is a real risk for us.

Ellenor McIntosh: We want to be one of the big companies. When people think of wet wipes, we want them to think of Twipes and our company. The main thing is that we want to save the environment, and it is about making sure that we can do that. In order to do that, we need to be a big scale-up, a big company. Does it mean selling? We do not know. Does it mean partnering with a bigger company? We do not know.

We are not overly concerned about Brexit, apart from the manufacturing side, if there are manufacturers in Germany, France or Belgium that have the land space and are able to scale our business. As much as we love Estonia and it is right for us at the moment, realistically it cannot scale for us. If we need 100,000 or 200,000, and we are supplying all over the place, we need somewhere that can scale. If we have a scalable manufacturer, we want to know what happens when Brexit comes. We are hoping that we can still partner with big companies and a great manufacturer, and deliver globally.

Ian Jones: It is very simple. We already act like a multimillion-dollar business. We will be ubiquitous globally—in effect, the Google for enterprise.

Francesca Hodgson: We certainly have global aspirations. We are still very early stage. For us, Brexit is not a burning concern. We will work with whatever landscape we are given. It comes down to strategy and where we go next. We have a good year or two to be able to provide our services in the UK market, so where do we go post UK?

Steven Hunter: We have global aspirations. The product we are selling today is about financial data, and at the moment it is focused on and being applied in the UK. There are similar problems getting financial data out of documents in the US, so our ambition is Europe, the US and emerging markets thereafter.

Brexit falls down my list until it pops up to the top as a priority, and something happens that impacts the business day to day. It is two years on. Entrepreneurs are incredibly busy, but we are pragmatic, so until something jumps to the top of my list that means that I cannot hire an employee, I will keep plodding along. That is my perspective.

Lord Wigley: If there was one message that each of you wanted to give to government, what would it be?

Ian Jones: Stop dicking around. The in-fighting is ridiculous.

Ellenor McIntosh: Let us know what is going on. Keep us in the loop.

Dr Sean Radford: I echo that. I understand that keeping your cards close to your chest in a negotiation process is important, but as soon as they are able to we want strong signals as to what is going to happen.

The Chairman: The issue that has not come across quite as strongly in this session as in some of the others that we have had is access to talent and what is happening there. Is there anything that you have not said that you would like to say about that, or are you comfortable with what we have already covered?

Ian Jones: It boils down to what I said earlier. It does not change the fundamentals. If you are an exciting company, people will find you and want to work for you, and you will retain them.

Lord Rees of Ludlow: You seem to be saying that notice of six months or a year is enough. Is your preferred scenario to go straight to some permanent new situation rather than having a transition period of two or three more years?

Ian Jones: The sooner we get certainty, and we are not in a continual state of flux, the better. The point was made that start-ups are agile, nimble and flexible. We will bend and move depending on where things are heading, but we cannot afford to be in that state constantly.

Ellenor McIntosh: Echoing what Ian said earlier, make it concrete as well. Do not be wishy-washy about it. Do not change it. Stick to what you are going to say. If you are going to change it tomorrow, change. It has happened. We move on, bend and do what we have to do.

Lord Robathan: As soon as we know what is happening, we will let you know.

Ellenor McIntosh: Just call me.

The Chairman: Thank you very much indeed. It has been a very interesting and helpful session. We will send you a transcript. If there are any issues, please report them to the clerks as soon as possible. We are seeing the Minister for Small Business next week, so we will have a chance to reflect back some of the messages we have heard today. Thank you very much again for taking part.