Biotech chief bemoans lack of start-up cash

Case studies

By Vivienne Raper

Keith Powell believes UK start-ups suffer unduly from the limited venture capital funding available for early-stage businesses.

"It is survival of the fittest in Europe," he said. "In the US, there is more venture capital available. Companies can focus on developing products rather than staying in business."

As chief executive of PolyTherics, a London-based biotech business that won £2.3m of venture capital funding in 2007 to develop technologies to make drugs last longer in the body, he says the small number of start-ups available to investors is a factor.

"In California, you throw a stone and you can hit 10 biotech companies. It is good being a successful small company in London, but it would be good to have a community of small companies."

Serial entrepreneur David Gahan believes that having a strong business idea in the fashionable green energy sector was key to his securing early-stage venture capital funding for Oxsensis, the optical instrument maker he incorporated in 2003.

Keith Powell: 'In terms of employment and developing the economy, biotech is extremely good value for money' Charlie Bibby

Oxsensis, a "cleantech" business, has raised millions from seed funds, government programmes and venture capitalists. Mr Gahan launched the business, based in Oxfordshire's Rutherford Appleton Laboratory, after hearing staff at Rolls-Royce talk about the lack of heat-resistant sensors for improving fuel efficiency in car engines and power stations.

"Cleantech is very sexy," he said. "It is also about working with a blue-chip company that really understands the market, and not imagining the whole world will be recreated in the image of your technology."

Mr Powell of PolyTherics welcomes the possibility of an extra £1bn in high-tech financing in the Budget, but worries about how the money would be allocated.

"In terms of employment and developing the economy, biotech is extremely good value for money," he said. "If you have £1bn, who decides who gets it? If there are too many committees of the great and the good who are deciding, it will take a long time. And if it's venture capitalists who decide, they will use the money to reduce the risk of their existing investments."

For Mr Gahan, the sticking point for green technology is not early-stage funding, but the speed at which power companies – which are critical to the growth of some cleantech start-ups – adopt proven new technology.

"It has been easy in the early stages, but the problem has been growing the business over the three- to seven-year term. It is hard because the energy industry is stodgy and slow moving," he said. "If the country wants to meet its carbon targets, it needs to have a decent way of proving the technology.

"We need a government trials budget to help energy companies bring up the new technology."