

# Minister for Tech and the Digital Economy speech at Digital City Festival

Good morning,

I am Chris Philp, Minister for Technology and the Digital Economy, and it's my absolute pleasure to be joining you here today, in person, after what seems like a lifetime of video calls. It's exciting to once again feel the buzz and energy in a room, and I am so proud to be able to be here to champion such a vital and innovative sector.

But before we turn to tech, I think it is right that we call to mind the terrible atrocities being committed by the Putin regime in Ukraine. The world is appalled at Russia's invasion. The Prime Minister has called this an attack without provocation and without any credible excuse, and it is right that the UK with other countries has referred Russia to the International Criminal Court for investigation into war crimes, including the indiscriminate deliberate bombing of civilians. Our thoughts are with the Ukrainian people as they suffer today.

Our government has launched an unprecedented package of economic sanctions developed with our international partners as well as led the way in providing weapons, in large quantities, to the Ukrainian government to use in protecting themselves. Those weapons are being used as we speak in defence of freedom.

And at DCMS, we have been working with our counterparts and governing bodies around the world to further isolate Russia by preventing them from competing in key international sporting and cultural events.

The tech community has also responded in admirable fashion. Wise were quick to place restrictions on money transfers to Russia. SpaceX have activated their Starlink satellites to give Ukraine a digital connectivity backup. Several major social media platforms have now banned RT from operating in Europe and have worked to ensure that the truth is heard by the Russian people. I would like to thank everyone for the work they are doing to support Ukraine during their hour of darkness.

Finally on Ukraine, I would like to take this opportunity to highlight the potential for a heightened threat of cyber attack. I urge all public and private sector organisations to redouble their work on cyber security and be extra vigilant to the risks of cyber attacks at this time.

But let me now turn to a happier topic: the future of the UK's booming tech economy.

Ensuring a thriving tech sector is critical to the future of the UK economy –

it is critical to growth, critical to job creation and critical to raising the UK's productivity. It is a top priority for the whole government, from the Prime Minister down. We are determined that the UK will be a science and tech superpower, and lead the world in areas like AI, quantum computing and advanced non-silicon semiconductors. We should be hugely proud of the successes of our tech sector and celebrate the jobs and wealth that has been created. We are unashamed of success, and enthusiastically celebrate what the tech sector has accomplished so far.

To start with, the UK has now given birth to 120 unicorns – private businesses valued at more than \$1bn – joining the US and China as the only nations to have created over 100 unicorns. We are Europe's undisputed tech powerhouse, boasting more unicorns created than Germany and France combined. Last year, the UK created 29 new unicorns – one every 13 days. And the UK is a world leading hub for fundraising. We saw £29.4 billion raised here in 2021 for private tech businesses – far more than any other European country at double second-placed Germany and triple third-placed France. We also easily led Europe on the public markets, with 37 tech IPOs last year.

As UK tech continues to thrive, I am delighted that our herd of unicorns is spreading across the UK. Seven cities across the UK are now home to at least two unicorn companies. Right here in Manchester we have amazing examples of this in companies such as Matillion, which provides data transformation services for the cloud, and Evergreen Life, a personal health record app used by over 870,000 people.

These successes are due to year upon year of record-breaking growth and investment. The UK's tech startup and scaleup ecosystem is now valued at a staggering \$975 billion.

And crucially these investments are being realised across the whole of the UK. Recent statistics have shown that Venture Capital funding in Manchester increased by 65% in 2021, with tech startups raising a record £309 million in funding. This is a clear show of confidence in Manchester's tech sector, and has been accompanied by new jobs, with tech job vacancies increasing by 164% in 2021.

Sustained investment and growth across the North West means the region's digital sector is expected to grow by at least £2.7 billion in annual Gross Value Added by 2025 and create an additional 50,000 jobs.

However, tech's innovation and our ambitions cannot flourish in a vacuum. To create the best possible conditions for innovators we need talent...we need investment...and we need ideas. On talent, we are investing in 1,000 PhDs in Artificial intelligence, 2,000 Masters conversion courses in AI and this Spring we are introducing new visa routes that make it fast and easy for highly skilled people to come to the UK. If you don't know about these please look up the new routes – including the scale-up visa route for growing tech businesses. On ideas, the autumn budget saw the expansion of R&D tax credits to cover data and cloud compute and government's R&D budget is increasing from almost £15 billion in 2021-22 a year to £20 billion a year in 2024-25. And we've already heard about the record level of investment in UK tech.

But in addition to these things we also need the right regulatory environment.

This government is committed to delivering proportionate, pro-innovation, and coherent regulation. Now that we are out of the EU, we will ensure the UK has a competitive advantage by adopting an approach to regulation that is light touch, promotes innovation and growth and also promotes competition. In the past, over-regulation of areas like Genetically Modified Organisms by the EU has stifled innovation in Europe, and GMO innovation consequently mainly took place in the US. We will avoid that mistake in the future. Areas like data are at risk of being over-regulated by Europe to the point that innovation is inhibited and business growth held back. We have a chance now to take an approach which of course protects data privacy but avoids imposing excessive burdens on business or the research community. Similarly with AI, we can adopt a proportionate approach that allows AI innovation to safely flourish and grow here in the UK. We will make sure that the UK is the best jurisdiction in the world for growth and innovation – using the freedoms that we now have outside the EU.

When designed effectively, regulation can be an enabler of innovation, not a blocker. It can help create the conditions in which innovation thrives and can trial new products and services – for example, through the use of regulatory sandboxes for emerging technologies or business models. And we can ensure new entrants join the market and compete with established incumbents. Effective and coherent regulation can also enhance consumer trust and drive the uptake of digital products and services. We have seen all this in action in the way that the UK's enlightened approach to Fintech has helped create a world-leading ecosystem here.

2022 will be a landmark year for shaping the rules that govern digital technologies. We will introduce pioneering online safety legislation, unveil our finalised proposals for the new pro-competition regime, drive forward our pro-growth, pro-innovation data reforms and publish a White Paper on AI governance.

We will start – as we must – by addressing harms to users that threaten to undermine confidence in digital products and services. Through the Online Safety Bill, we will take much needed action to protect children and the most vulnerable from illegal and harmful content. Today, we have announced a new duty in the Bill to protect people from scam ads on the largest platforms. Online fraud affects millions every year and the new duty will protect people from this awful crime. In parallel, we have launched a consultation, through our Online Advertising Programme, to seek views on developing a coherent and streamlined approach to regulating online advertising more broadly. Together, these measures will ensure a joined up approach to digital regulation, strengthening trust in the digital economy, while protecting consumers and keeping users safe online.

And now that we have left the European Union, we have a chance to advance our strategic interests through our own independent data protection regime. Our reforms will significantly reduce burdens on business and other organisations. But the real prize from our reforms is creating an enabling

environment for data-driven innovation that will massively boost the UK's productivity and the competitiveness of our industries. It will make the UK a destination of choice to host cutting edge data driven scientific and tech activity and as a hub for global, data driven trade.

But it is important to be clear here – the protection of people's personal data will be at the heart of our new regime. Without public trust, we risk missing out on the benefits a society powered by responsible data use has to offer. And far from being a barrier to innovation or trade, we know that regulatory certainty and high data protection standards allow businesses and consumers to thrive.

And through the introduction of our new pro-competition regime for digital markets, we will unlock opportunities for small and challenger firms and make it easier for them to compete and innovate on a level playing field – and in doing so deliver more choice and better services for consumers. These measures signal our intention to support our nation of startups and place a thriving digital economy at the heart of the government's vision for long-term economic growth. We do not want large dominant incumbents to prevent new businesses from developing or to abuse their market position and extract what amounts to excessive economic rents by overcharging.

The issues that I've talked about already such as online safety, data, AI and digital competition are rightly the subject of much of today's debate given their ground-breaking nature – but we don't want the conversation or ambitions for the UK to end here. Given the right conditions, innovation can generate change at breakneck speed – for example, in quantum technologies, use of blockchain, web 3.0, the expansion of the metaverse, to mention just a few of the hot topics of today and for tomorrow.

To maximise the benefits of these exciting, next-generation developments, to lead this revolution, and to truly turbocharge our digital economy, we must ensure that innovation takes place safely, in a thriving, competitive environment and that it is ultimately in the interests of citizens across the whole of the UK. Regulation must be designed from the outset to deliver these outcomes. Our Plan for Digital Regulation has charted the approach that we will take to these new challenges through light-touch, proportionate regulation that promotes the safety and rights of users, supports a thriving democracy and unleashes competition and growth.

But it goes without saying that we are at the start of a much longer journey. We will need to innovate and adapt our approach to regulation to meet the opportunities and challenges posed by new tech developments. Effective horizon-scanning – drawing on the collective insights of government, regulators, industry, academia – will have a major role to play.

And collaborative horizon-scanning is of course only one part of the picture. We will find ways to make sure that the regulatory ecosystem as a whole is effective and coherent in the face of new challenges. I'm proud to say that the UK is already ahead of the curve on this point, thanks to the steps we are taking to upskill our digital regulators and through the creation of the world-leading Digital Regulation Cooperation Forum, which ensures effective

coordination between our key regulators, particularly the ICO, OFCOM, FCA and CMA. The DRCF in particular has a vital role to play in delivering on our vision for a coherent, pro-innovation landscape, and the Secretary of State has today written to the Forum setting out the government's priorities for the digital regulatory landscape as it finalises its work plan for the next year.

Cooperation with like minded international partners will also be critical – building on our successful G7 and Future Tech Forum. There is always more to be done to maximise the benefits of effective collaboration, and we will continue to look for ways to deliver progress on this point.

I would like to hear your views on this today as well. Working together we will make sure that the UK remains on track to become a global science and tech superpower. We have achieved so much in the UK already and secured our position as Europe's leading tech nation. Now, by driving forward the UK as the best place in the world for ideas, talent and investment – supported by light-touch regulation – together we can together forge an even brighter future.

Thank you.