Interview: Gerhard Hirczi – Managing Director, Vienna Business Agency; Peter Halwachs – Managing Director, LISAvienna



"The time has come for the international community to reevaluate Vienna's role in the pharmaceuticals and life sciences landscape."

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Gerhard Hirczi of the Vienna Business Agency and Peter Halwachs of LISAvienna describe Vienna's impressive footprint in the life sciences, its positioning as the start-up hub for Central and Eastern Europe, and the potential ramifications of the European Medicines Agency (EMA) relocating to the city.

Could you please start by introducing the Vienna Business Agency and its functions?

Gerhard Hirczi (GH): I would describe the Vienna Business Agency as simultaneously both old and young. We've been in existence for some 35 years, but we remain highly dynamic and proactive in our posture. Our purpose is quite simply to strengthen Vienna's business proposition. That means reaching out both to Austrian and foreign companies alike and helping them to settle and flourish in the city. Our mandate covers three broad pillars. Firstly, every year we award more than EUR 30 million worth of non-refundable grants to innovative projects being conducted by what we consider to be high-performance, promising companies. Today, around one third of our grant monies are channeled directly towards start-ups in the form of seed funding and this is quite befitting of a capital city that claims the title of being the start-up hub for Central and Eastern Europe.

Secondly, we constitute one of the largest real estate holders in the capital and see it as our responsibility to safeguard office and factory space for companies seeking to relocate to Vienna, existing businesses that find themselves needing to extend and upgrade their premises and fresh new start-ups endeavoring to get off the ground. This is a fast-growing city where we expect to have a population of over 2 million within the next two to three years. At a moment, when there is a lot of discussion about building new housing, we see it as very much our mission to champion the cause of SMEs and the business community in ensuring that enough land and space is given over to their activities. Let’s not forget that once the green light is given to build apartment blocks then that site is lost to the business community for decades to come. Yet businesses are the dynamos of job creation and local prosperity, so it is imperative to be safeguarding their needs as well.

Our third pillar covers a broad range of services geared towards supporting locally embedded and incoming enterprise. These range from the provision of incubator facilities for start-ups to matchmaking in which we facilitate joint ventures or partnerships to ensuring a soft landing for foreign firms trying to penetrate the market via our expat center that deals with the human dimension of business relocation. The nature of these tasks tends to evolve over time so as to properly reflect the evolving trajectory of demand and needs.

What are the specific benefits to be derived from having the municipal business promotion agency double up as one of the main real estate holders?

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GH: We are an active player in the sphere of urban development: not just buying and selling land, but remodeling building space and investing in the construction of special-purpose offices and facilities such as the Vienna Biocentre complex or Lakeside Aspern – 240 hectares of multifunctional city space blending flats, offices, amenities, research and education. Frequently we find ourselves acting as the torchbearers and first movers in districts blighted by market failure. As the early-stage developers, we start the ball moving often in the form of participating in public-private partnerships in the expectation that a critical mass can be achieved and a depressed district can become reinvigorated. The idea is to stimulate private actors to follow. We therefore perform an important and very necessary societal function.

Our real estate activities also represent an important source of revenues and furnish us with a degree of financial autonomy. Some decades ago we were given plots of land by the City of Vienna and it is the development of these plots and subsequent sale that finances new infrastructural projects that we might undertake. Possessing these capabilities means we are more financially

sustainable than we would otherwise be. Meanwhile we also receive a certain amount of public money direct from the City of Vienna, most often in the form of co-financing for specific projects. On top of that, we also benefit from European Union funds linked to our involvement in promoting and abetting areas of matters of common interest such as technological advancement.

If we look at the Viennese economy, just how comparatively significant is the life sciences business segment?

GH: Much more so than you might expect. Vienna is well recognized internationally for its arts, culture, music and tourism, but the city is actually a leader in much more than just that. The Life sciences sector, for instance, is 4 times as large as the local tourism industry.

However, because it is still a rather young industry for us, its true importance tends to be overlooked in peoples' perceptions and this is something that we are working hard to turnaround. Austria has always enjoyed a strong scientific tradition with 4 Nobel Prize winners since the beginning of the 20th century, but it is really in the last 25 years that life sciences and ICT have become the strongholds of the Viennese economy. We have matured into a medical biotech city and pioneer in niche areas such as oncology, immunotherapy, plasma and disease modifying allergy therapeutics where there are companies based here operating right at the bleeding-edge of scientific discovery.

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Peter Halwachs (PH): Let's not forget that Vienna's prowess in life sciences did not come about entirely by coincidence. Instead it is the product of meticulous planning and careful cultivation by both the Viennese municipality and the Republic of Austria. Designed a full 30 years ago, the Vienna Biocentre is very much an outcome of this strategic undertaking. The city's biotech boom, meanwhile, can be traced back to the late 1980s and then, in the 1990s, we witnessed the advent of homegrown success stories such as Intercell, nowadays known as Valneva. The subsequent growth trajectory has been pretty phenomenal: we possessed around 35 companies in life science R&D in the 1990s and now we boast 160. Moreover, every, year we see a further 6-10 new entities being founded, whereas in the whole of neighboring Germany you only get around 40. Whatever metric you use, the picture is very rosy. For instance, if you analyze the growth in turnover of biotech and pharma companies in Vienna for the period 2012-14, you'll find it was averaging an impressive 70 per cent. Nowadays we have an entire life sciences ecosystem in place.

There can be no denying that Vienna today represents a global pharmaceutical players' darling. Each and every one of the global top-10 ranked companies in annual sales maintains a strong

presence in the Austrian capital. The same goes for the top 5 worldwide medical device developers. Indeed, many of these multinationals run not only sales and distribution unities, but also have established healthy R&D footprints as well. The number of locally entrenched R&D companies has actually tripled since the turn of the millennium.

A prerequisite for a vibrant life sciences sector is a strong academic infrastructure. How does Vienna fare in this respect?

GH: This is another area where we really do shine. Vienna possesses almost 200,000 students making it the largest university city not only across the entire CEE, but also anywhere in the German speaking world. Impressively 36,000 of these students study in life science related meaning that approximately every 6th student encountered has a life-sciences background. This produces a virtuous circle in which biopharma companies decide to establish affiliates in Vienna so as to leverage this excellent talent pool. It is surely not by accident that more than 50 percent of all life sciences companies based in Vienna also conduct some sort of R&D operations as part of their activities.

PH: One of Vienna's big pulling factors for many life sciences companies is certainly the caliber of its human resource pool and the technical skills of the graduate community. We offer an excellent scientific base of 18 academic institutions spanning research activities from biological and medical sciences to bioinformatics, veterinary medicine and medical engineering up to industrial, environmental and agricultural biotechnology. PhD programs in applied-sciences at these universities also tend to be well matched to the practical requirements of industry. I would suggest that, having such a high focalization of academic research within a radius of 50 kilometers has been an important factor in Vienna's development as a center of expertise in certain specific medical research fields such as oncology.

Vienna Business Agency has been playing a lead role in putting forward Vienna's candidacy to be the new host of the European Medicines Agency (EMA) in the post-Brexit environment. What makes you think Vienna would be the most suitable city for this task?

GH: At the end of the day, the real value within the EMA is its staff and the knowledge, expertise and institutional memory bound up in those personnel. It is therefore absolutely crucial that a large proportion of the existing staff follow the EMA to their new home and Vienna, having been elected the most livable city in the world 8 times in a row, is well placed to lure them and their families. Combined with a lively life sciences scene and a very proactive local agency committed to

smoothing the repatriation process, we would also provide a purpose-built facility wholly tailor made to the organization's needs, deftly integrating both conference and office spaces.

PH: Let's also remember that Vienna constitutes one of most preferred European meeting spots for the international life sciences community with more than 150 medical conventions and congresses taking place every year involving the participation of literally thousands of physicians, clinicians and medical experts. In short, we already have the hotel and conference hall infrastructure in place to handle the sort of events the EMA will need to put on. We already play host to the headquarters and seat of over 200 different international institutions such as OPEC, the IAEA, the OSCE and multiple UN agencies and home to an expatriate community of over 25,000 people. We are therefore well versed in welcoming diplomats, international staff and foreign delegations. Many of the other candidate cities seeking to the EMA, simply don't yet have this track record or supporting infrastructure. Finally, We can offer great accessibility located at the heart of Europe with a powerful airport hub straddling the crossroads between East and West.

GH: That said, we have to be attentive to managing expectations. We firmly believe Vienna's candidacy is extremely strong, but are also aware that the final decision will be down to politics and discussions between the member states within the Council of Ministers as much as a product of the technical evaluation and recommendations of the European Commission. At the end of the day, the winning country must have proven its ability to form a strong coalition of support.

What is your final message to our international readers about Vienna and its role in the life sciences domain?

GH: The time has come for the international community to reevaluate Vienna's role in the pharmaceuticals and life sciences landscape. This is a city that has undergone and continues to undergo tremendous renewal and rejuvenation. EU Commission studies demonstrate that we went through considerably more structural transformation than the vast majority of European capital cities. We used to be an ageing population with a quaint outlook that focused primarily on our cultural and artistic heritage. With the fall of the iron curtain in 1989 Viennese business was subjected to immense pressures with competition on quality from the West and competition on price from the East. This meant indigenous business models were forced to adapt. We had to switch from low skilled, low margin activities to tasks that depended on high technology and expertise.

Nowadays we are a young, vibrant, technologically minded city full of pioneering, innovative firms that are pushing the boundaries. The ICT and life sciences form the vanguard of this new spirit and orientation. Our population is booming courtesy of an influx of talent from abroad and we have

become thoroughly international hosting businesses from over 190 different nations. In life sciences, we now stand proud as the largest plasma-processing pharma industry on the continent, a pioneer in oncology research and can take pride in an ever-stronger biotech scene. Vienna is firmly and squarely on the move.

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