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Biotech strong but faces challenges in state

Tom Abate, Chronicle Staff Writer

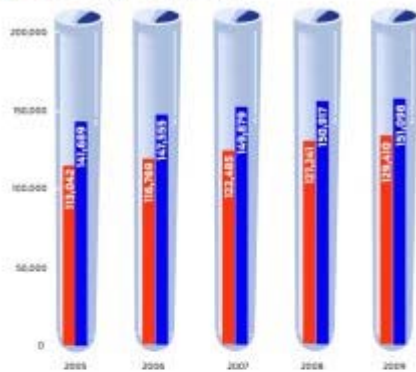
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California's biotech and medical device industries are selling more products and employing more people despite the recession, but industry leaders said the state needs to invest in education and get more competitive on taxes to keep its lead in a field that was born here.

Northern and Southern California job counts

Employment in the life sciences industry has increased despite the recession

■ Northern California ■ Southern California



"The state has been taking our industry for granted," said Gail Maderis, acting chief executive of the BayBio trade association that released its fifth annual report Tuesday providing an overview of these allied life sciences fields.

Biotechnology firms are primarily engaged in the development and sale of medicines, while medical device companies produce hardware ranging from blood test kits to systems for open-heart surgery.

BayBio issued its report as more than 6,500 life sciences executives, scientists and financiers gather in San Francisco for the J.P. Morgan Healthcare Conference.

The report sketched the medical innovation landscape in California and the challenges the state faces from other regions bent on replicating its success.

BayBio says the state is home to about 8,236 life sciences companies, with 4,348 based in Southern California and 3,888 in the north.

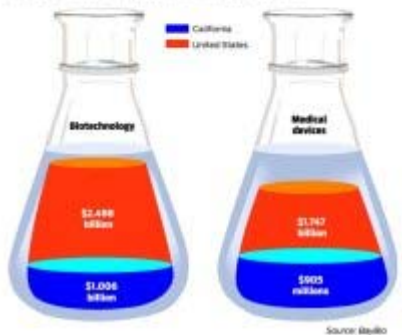
Despite the recession, total industry employment grew from 278,158 in 2008 to 280,508 in 2009. BayBio says southern industrial clusters such as San Diego and Orange County employ 151,098 people, while companies based in or near the Bay Area employ 129,410 people.

California companies marketed 1,754 medical products in 2009, up from 1,294 the prior year, the report said.

California's share of venture investment

The state attracted 45 percent of all the venture capital invested in medical device and biotech companies nationwide, as of Sept. 30

■ California ■ United States



The state continues to attract the lion's share of the venture capital flowing into the life sciences. As of Sept. 30, BayBio estimates, California companies had attracted \$1.9 billion, 45 percent of the \$4.24 billion generated by biotech and medical device firms nationwide at that point.

But other states and countries are aggressively pursuing life sciences companies and in a briefing on the report's findings, Bay Area biotech executives said the state must invest in the University of California system, the state colleges and the community colleges to keep up the flow of medical inventions and skilled labor that helped spawn the industry.

Maderis said California also puts biomedical companies at a disadvantage by taxing the equipment and many of the supplies they use to manufacture or develop experimental products, while most states exempt such purchases from sales taxes.

That makes it more expensive for companies to locate in the state, and even if they put their headquarters here, this policy may push companies to build their manufacturing plants outside California and deny the state good-paying technical positions that don't require doctorates, Maderis said.

E-mail Tom Abate at tabate@sfgate.com.

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