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New CA Alliance Seeks to Defend State's Biotech Hotbed Status

By Trista Morrison

Staff Writer

Biotech execs trolling the halls at last week's BIO 2008 conference could hardly miss the legions of government officials vying for their attention.

More than 60 states, countries and regions attempted to lure conference-goers into their booths with gimmicks including Nebraska steaks, Hawaiian hula lessons and a raffle for a Pennsylvania Harley-Davidson motorcycle. Other governments used BIO to unveil new biotech initiatives: Maryland pledged \$1.1 billion in biotech investment over the next 10 years, Puerto Rico introduced a new economic and tax incentives program and Texas made new investments under its \$200 million plan.

It's no secret that biotech is big business. A study released last week by BIO and Battelle reported that the U.S. bioscience industry supported 1.3 million employees directly and another 6.2 million indirectly in 2006, with the average job paying \$71,000. Competition for those high-paying jobs is fierce, and The Milken Institute's annual biotech state rankings, also released last week, indicated that some state efforts may be starting to pay off. While Massachusetts remained in the top spot, Maryland displaced California in second place, pushing the Golden State down to No. 4, behind Colorado.

Matthew Gardner, president and CEO of South San Francisco-based BayBio, noted that California's biotech product pipeline is still the largest in the world. But the Milken ranking is based on the potential for growth, and "there's no question we've slipped on human capital investments," he said.

To strengthen biotech's voice on policy issues in the state, California biotech industry groups BayBio, BIOCUM and SoCalBio announced late Tuesday a three-year partnership known as the California Life Science Alliance.

The groups previously worked together in 2003 to produce the California Life Sciences Action Plan, which outlined recommendations to improve the environment for biotech in the state. Many of those recommendations remain top priorities today.

Both Gardner and Joe Panetta, president and CEO of San Diego-based BIOCUM, pointed specifically to recommended tax reforms, including the extension of net operating loss carry-forward provisions from 10 years to 20 years and the need to improve the tax environment for large companies based in California.

Gardner noted that South San Francisco-based Genentech Inc. chose to build its newest facility in Oregon partially because of California tax laws that penalize companies for the number of employees they have in the state and the amount of property they own.

Panetta added that biotechs are "constantly battling to maintain the R&D tax credit," which has been jeopardized by the state's budget crisis.

During BIO 2008, Gov. Arnold Schwarzenegger assuaged some fears by acknowledging the importance of R&D tax credits and net operating loss carry-forward provisions and pledging to "fight for that in my budget negotiations."

Both Gardner and Panetta also placed education funding as a top priority. "We've seen stop-gap measures by creating pilot programs, but . . . we need more permanent investments in classrooms and faculty," Gardner said.

Specifically, investments at the community college level are needed to train lab technicians and others who support the biotech industry, Panetta said.

One area in which California excels is research investment. The state wowed the world with its passage of \$3 billion stem cell funding bill Proposition 71, which, after years of legal delays, has begun doling out grants.

But other states also are upping their investment initiatives. Gardner said he believes Maryland deserves "kudos" for its recent effort, as does Massachusetts for its \$1 billion life science legislation. Panetta said he has been impressed by Texas and North Carolina's use of tobacco lawsuit funding to invest in the creation of early stage life science companies.

The members of the new California Life Science Alliance plan to meet soon to hammer out the details and priorities of their arrangement. The groups are open to adding other California biotech industry organizations to the alliance, which also will collaborate on conferences and purchasing opportunities.