

INDUSTRY INSIDER: BIOTECHNOLOGY

Pa.-Jersey 'land mass' proves fertile ground for biotech jobs

PHILADELPHIA — There's a new term floating around among officials who work on behalf of the biotechnology industries in New Jersey and Pennsylvania.

Pangea. Yes, as in land mass.

Borrowed from geology class, the term is used — only jokingly, for now — to refer to the land inconveniently (at least for the biotechnology industry) divided by the Delaware River.

Hey, marketing has to be inspired by something, right?

Of course, it makes more sense when you consider a new industry-sponsored study, which makes the neighboring states' combined biotech-pharmaceutical cluster look nearly as impressive as California's hub.

Viewed as a region, Pennsylvania and New Jersey's biotechnology and pharmaceutical industries account for 81,000 jobs. If you add some other factors — construction triggered by the industry, for instance — the number of jobs increases more than five-fold, to 470,000, according to the study compiled by the Milken Institute.

Ross DeVol, the institute's director, provided a taste of the study's findings this week during Biotech 2004, a regional industry meeting here. The complete

study won't be unveiled until Tuesday during a lunch at the National Press Club in Washington, D.C.

"When you look at the concentration of employment, it's the highest in the country," DeVol said.

Fritz Bittenbender, president of Pennsylvania Bio, an industry trade group, acknowledged the data could serve as a public relations tool. It would come in handy next spring when thousands convene here for the annual meeting of the Biotechnology Industry Organization.

"We will share these with the world," Bittenbender said. "It will show (other biotech executives) they should be spending more time in the region — if not working here."

Stem-cell support

Controversy appears to be waning over stem cell research, one of the next frontiers in the treatment of disease.

Public support of stem-cell research has doubled since 2001, according to a Harris Interactive poll released earlier this month.

That's especially important for New Jersey, where the governor has pledged to create a \$50 million facility dedicated to the promise of stem cell research.

New Jersey isn't alone. In San Diego, already a hotbed for biomedical research, commerce officials recently endorsed a state initiative to provide \$295 million a year over 10 years for researching the use of stem cells.

Stem cells refer to a diverse group of multipotent cells, which begin as embryonic cells and develop into specialized cells throughout the body.

The controversy over stem cell research centers on the use of human embryos as a source of the cells. The embryos must be destroyed.

The number of adults who believe using stem cells from human embryos for research comes too close to allowing scientists to play God have fallen sharply, to 19 percent, from 40 percent in 2001, according to the study.

The responses, collected as part of a nationwide survey of 2,242 adults, reflected a deeper understanding of the role stem cell research may play in developing treatments for Alzheimer's and Parkinson's diseases.

Restoring confidence

Here's one more side effect of Merck's stunning decision to withdraw Vioxx from the market:

the public's loss of confidence in the pharmaceutical industry.

Joseph Scodari, a pharmaceuticals executive with Johnson & Johnson, raised the issue — without ever mentioning Vioxx specifically — during a dinner address at Biotech 2004.

"Within the walls of Johnson & Johnson, there's nothing more disturbing than the erosion of public confidence in the industry," Scodari said. "It's a tough pill to swallow."

Changing the perception will be a huge challenge, he said.

Scodari helped turn Pennsylvania-based Centocor into one of the country's top biotech companies before its acquisition by Johnson & Johnson in 1999.

While large pharmaceutical companies have turned increasingly to biotech for their new medicines, they need the industry's help now with image.

After highlighting biotech's progress over the past decade, Scodari told the audience, which included biotech executives from Pennsylvania and New Jersey, they will be key to repairing the perception problem.

"Biotech is in the best place to lead the return of public confidence," he said.

— Susan Todd

BURNING QUESTIONS

Sherril Neff, managing partner of Quaker Bioventures, a Philadelphia-based venture capital fund, answers questions about New Jersey's Garden State Life Sciences Fund.

Q. Will the fund target only New Jersey-based biotech companies?

A. Absolutely. Whenever the firm does New Jersey deals, we will draw down at least \$3 from our own fund for every dollar coming out of the Garden State Fund. The \$10 million results in an investment pool of \$30 million (from Quaker Bioventures). The investments we make will be leveraged further by co-investing members.

There's a transaction we're looking at now involving a company based in New Jersey. The amount being raised is about

\$35 million. We would probably consider a \$7 million to \$10 million investment.

Q. How will Quaker Bioventures select companies to finance?

A. Our driving focus is return on investment. We almost never make investments in companies that are near profitability. We're typically investing much earlier in the life cycle of a company.

We receive on average 500 to 600 business plans a year. Almost all of them technically meet our criteria. Nine of 10 business plans result in no action. One of 10 businesses will spend significant time with our management. About half of them will be turned down, and about half move on to more due diligence by our management. We

make five to seven actual investments a year. That's fairly typical across the industry.

Q. Why is this important to the state's biotech industry?

A. For 20 years, the dominance of large pharma in New Jersey and Pennsylvania really impeded the growth of biotech. Within the past five years, there's been a dramatic sea change.

It creates an advantage for this region that no other region in the country has. Large pharma is increasingly dependent on biotech for its future pipeline. It makes it highly desirable to be centered here. New Jersey can propel itself into a position of international prominence in biotechnology just as it has in pharmaceuticals.