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Friday, Dec. 14, 2007

Life science 'summit': We're No. 1

Franchot convenes conference to help industry

by Steve Berberich | Staff Writer

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Backed by a new report, Comptroller Peter V.R. Franchot opened his life science "summit" Thursday by proclaiming Maryland the No. 1 state in the field.

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A parade of top leaders of life science industries then spent the next four hours offering an audience of 150 at the Columbia Sheraton a list of reasons to be worried that the state is not doing enough to maintain its predominance.

Franchot said Maryland's economic future success must be tied to the life sciences. A former state delegate from Montgomery County, he has been planning the conference since he took office in January.

"As the state's chief fiscal officer, it is very important to focus on the life sciences industry jobs," he said.

Franchot's conference came just two months after the inaugural meeting of Gov. Martin

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O'Malley's Maryland Life Sciences Advisory Board, which is charged with creating a plan to develop the industry.

The two initiatives may appear similar, but Franchot said his meeting has a different purpose. He is trying to develop an information exchange by leaders to help keep jobs and maintain a strong tax base in life sciences, he said.

“It would not be wise if we were content to rest on our laurels,” Franchot said.

Attending the summit were representatives from 64 companies in many industries, including health care, law, finance, construction, manufacturing, tourism, education, telecommunications, real estate, engineering, government contracting, information technology, biotechnology and aerospace.

Franchot pinned his declaration on Maryland's stature in life sciences on a new report, commissioned by his office for about \$10,500 from Sage Policy Group Inc. It concludes that Maryland holds the lead in life sciences by combining investments in state and federal government and university research as well as investments in biotechnology-related companies.

Many in attendance remarked that the report gives a truer picture of Maryland's position than other studies, which commonly rank the state as about fifth in biotech companies or workers.

The report covered more than massaging state rankings, however.

It said the number of life science-oriented venture capital deals in the Washington, D.C.-Baltimore region increased 121.5 percent from 1997-2001 to 2002-2006.

That was “the best performance” in the nation, and much higher than the second-place region, San Francisco, where the number of deals increased a “relatively lackluster 37.7 percent.”

The value of those investments in this region grew 134.3 percent over that period, according to the report. That was also the highest increase in the nation, well above the second-place area, Boston-New England, with 90.0 percent.

However, warned Matt Zuga, managing director of Red Abbey Venture Partners, “We don't have the entrepreneurial

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community that they have in Silicon Valley and other areas in the country.”

State government bureaucracies hold down biotech investments, he said. Still, the good news is that a record amount of venture capital is now available for “good opportunities” in life sciences.

“And good health care should be recession-proof,” Zuga said.

‘Capture the hearts and minds of our kids’

The real future of life sciences in Maryland rests with its 1 million schoolchildren, said James Pitts, vice president of Northrop Grumman, which provides bio-agent detectors in post offices.

It is “critically important to capture the hearts and minds of our kids, or all this won’t matter,” Pitts said.

If not, the United States will lose its position in the industry to other nations that graduate more college students with life science degrees. China, for example, graduates as many as 700,000 engineers a year, while the United States graduates 70,000, Pitts said.

William Kirwan, chancellor of the University System of Maryland, said state leaders need to break down petty “regionalism” between campuses of universities, agencies of governments and sectors of industries.

“We don’t have the spirit or culture to promote a robust investment climate for helping startup companies,” Kirwan said.

In other words, what Maryland needs is the right kind of sneeze, said William Brody, president of Johns Hopkins University.

If someone sneezes at Stanford University, he said, someone else cultures it and clones it, gets venture funding and makes a vaccine, he said. On the other hand, if someone sneezes at Johns Hopkins, someone might clone it, then get a National Institutes of Health grant and write several scientific papers. There needs to be more commercial follow-through in Maryland, Brody said.

Rita Colwell, chairwoman of Canon U.S. Life Sciences and founder of the University of Maryland Biotechnology Institute in 1986, said the U.S. position in life sciences is “the silent Sputnik,” referring to the national alarm of the

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1960s following the Soviet Union's launch of the space orbiter in 1957. The United States is facing "incredible" completion internationally, Colwell said.

Del. Brian J. Feldman (D-Dist. 15) of Potomac, who co-chairs a new legislative biotech caucus, said Maryland needs to worry about competition among states, such as a new \$1 billion investment in Massachusetts in biotechnology. Some of the \$40 billion in Maryland's pension fund should be invested in life sciences, Feldman said.

The \$6 million biotech tax credit that Feldman co-sponsored "was a very modest step," he said. Franchot immediately promised to meet with State Treasurer Nancy Kopp (D) to discuss Feldman's proposal.

Franchot said that "Marylanders should not be discouraged by what other states are investing in to build their life science because the foundation for life sciences in this state is 'light years' ahead of them. We not only have good jobs but the foundation provides career ladders."

Real estate and education

A leading life science real-estate agent, Robert Scheer, owner of Scheer Partners of Rockville, said that from his perspective, the state has done a "terrific job in building the life science sector, but we are slipping."

"In my mind, commercial real estate is diagnostic of the state of life science health," Scheer said. In the sector, rental rates have dropped about 10 percent and vacancies have been high, at almost 10 percent for the past several years, he said.

The industry's success rests on the region's educated workforce, according to the Sage report.

"More than virtually any other economic segment, the vibrancy of biosciences depends upon the quality and quantity of human capital. The state/region is arguably home to the nation's most highly qualified and educated workforce," the report states. "For instance, in 2005, the Washington-Baltimore metro region led the nation in the share of adults with advanced degrees (18.5 percent), significantly higher than second place Boston (16.3 percent)."

The report said Maryland's bioscience sector generated \$29 billion in annual economic output, \$11 billion in income and nearly \$600 million in state taxes. The average job supported directly by the state's life science industry pays \$108,000.

Jonathan Lederer, director of the University of Maryland Medical Biotechnology Center in Baltimore, said that “from strictly a scientist’s standpoint, this is one of the best places around. That we are well supported by high officials of the state government is a key.”