

**TESTIMONY**

**ECONOMIC DEVELOPMENT, JOB CREATION & RETENTION IN THE BIOSCIENCE INDUSTRY**

**PENNSYLVANIA HOUSE OF REPRESENTATIVES**

**POLICY COMMITTEE**

**BERWYN, PA**

**WEDNESDAY JULY 11, 2012**

**CHRISTOPHER P. MOLINEAUX**

**PRESIDENT**

**PENNSYLVANIA BIOTECHNOLOGY ASSOCIATION**

Good morning Chairman Reed and distinguished members of the House Policy Committee. My name is Chris Molineaux. I am President of the Pennsylvania Biotechnology Association, (Pennsylvania Bio). The mission of Pennsylvania Bio is to ensure Pennsylvania is the global leader in the life sciences by creating a cohesive community that unites our biotechnology, medical device, diagnostic, pharmaceutical, research, and financial strengths. Pennsylvania Bio has over 530 member organizations representing the entire life science industry- medical device companies, pharmaceutical companies, investment organizations, academic research institutions, and myriad service industries that support the life sciences in Pennsylvania.

In the interest of providing context for today's hearing I will share with you some highlights from the State Bioscience Initiative report conducted and released recently by Battelle Research and underwritten by the national Biotechnology Industry Organization, BIO.

These data reflect the significance of the life sciences industry in the Commonwealth.

In Pennsylvania there are 2,279 life science business establishments, directly employing 79,262 Pennsylvanians. This ranks Pennsylvania among the top 6 U.S. state employers in three of the four major life science subsectors – drugs & pharmaceuticals; research, testing & medical labs; and medical devices and diagnostics.

The average annual wages generated from our industry in Pennsylvania is \$7.2 billion which makes us one of the state's leading economic drivers. The total Pennsylvania employment impact, including life science-*related* jobs added through the ripple effect totals over 459,000. Pennsylvania ranks 4<sup>th</sup> among all states in academic R&D expenditures, 4<sup>th</sup> in total research awards from the National Institutes of Health and 4<sup>th</sup> in life science-related patents. The average annual wage for a life science worker in the Commonwealth is \$90,266 – twice the average private sector wage for all workers in the state.

In May 2012 Pennsylvania Bio concluded a discussion with more than 40 individuals representing all segments of the life science community around the state. This group was the Life Science Leadership Advisory Council. Through a series of meetings, conversations and analysis, this Advisory Council identified Pennsylvania's competitive advantages and

opportunities to enhance the industry's strength and facilitate future job creation. Input and feedback were collected from the Advisory Council from October 2011 through April 2012. The Council's work was focused on identifying the tools and partnerships required to build on the strong base of life science companies present in the Commonwealth.

The report that resulted from the Council's work is titled, Life Science Leadership for the Next Decade. A copy of the report has been submitted for the record.

The report highlights the following five broad recommendations:

- Government and the private sector in Pennsylvania should actively promote the life science industry as a key driver of Pennsylvania's economic competitiveness
- Ensure the continued growth and vitality of the Pennsylvania life science community through ongoing monitoring, evaluation, and action of its stakeholders to maintain the industry's competitiveness – continue to foster interactions like you are facilitating today
- Support the research and development of emerging life science technologies including previous and new life science investments
- Seek investment capital to support early and mid-stage life science companies – we have a history in PA of working together to create investment opportunities for our companies through public-private initiatives
- Encourage the creation of a tax system and business climate that provide a supportive environment for life science industry job creation

At today's hearing I want to focus on a couple of key points relative to the need for investment capital to support the life science industry. During our discussions and analysis of data we identified four areas that are slowing our potential for job creation.

- There is a real lack of early stage venture capital that is threatening our ability to realize high growth companies. Early stage capital includes financial support of technologies emerging from our world-class research institutions to capital to support start-up companies hiring their first employees but able to achieve rapid growth if we add a little fuel

- The Biopharma industry transformation is generating new opportunities as the industry supply chain breaks down into smaller units – generating new entrepreneurs. According to the Department of Labor & Industry, more than 300 new companies were formed in the past two years in Pennsylvania in the bioscience research and development sector.
- We have opportunities to form a public-private partnership in support of new capital formation. Our work identified new models such as the effort being discussed today that allow public support to catalyze a market.
- Finally, we must improve our ability to commercialize our research from our universities...and, wherever possible, assets in the laboratories of large pharmaceutical companies that are not being developed. This can only be done with a concerted effort and the capital to support these new technologies.

My peers around the country tell me about the investments that are happening in their states in support of early stage capital formation through public-private partnership models. Maryland established the Bio2020 initiative, which will invest \$1.3 billion over the next 10 years to support the MD Biotechnology Center, double the biotechnology investment tax credit, and which provides funding for incubator and capital projects devoted to the biosciences. ***This is in addition to the insurance tax credit initiative we are discussing today.***

Ohio renewed funding for their Third Frontier program, a 10 year, \$1.6 billion initiative designed to support the overall technology industry in the state, with a new four-year, \$700 million bond, approved by voters in May 2010 which will bring the total investment to over \$2.3 Billion.

The most significant life science economic development competitor to Pennsylvania is Massachusetts, ranked first in the nation by the Milken Institute's Technology and Science Index. With the Massachusetts Life Science Initiative, created in 2008, over \$1 billion is being invested over 10 years.

It's important to note, however, that this competition is not only being waged with dollars, however significant those dollars may be. The competition is also being conducted with public relations campaigns and appearances by senior elected officials at industry events.

For example: Each year, Philadelphia is the host city for a two-day bioscience symposium called **Biotech**. The event is produced jointly by Pennsylvania Bio, Bio New Jersey and Delaware Bio. At last year's symposium – **Biotech 2011** – New Jersey Lieutenant Governor Kim Guadagno invited herself onto the agenda and gave a 25-minute, impassioned appeal for all the companies in the audience – roughly 700 people – to pack up and move their businesses to New Jersey. She concluded her remarks by providing the audience her cell phone number for assistance with the move.

More recently, at the BIO International Convention in Boston, governors from 6 states (IL, MA, TX, NC, KY, SD) were in attendance, working the exhibit hall and participating in panel discussions – taking advantage of the opportunity to speak at an annual event that attracted over 16,000 life sciences executives about the incentives available in their states for life sciences companies.

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I appreciate the opportunity to speak with you today regarding the Bioscience Industry in Pennsylvania and how the industry can be a conduit to provide economic development, job creation and retention in the Commonwealth. As the only state-wide trade group for the industry, we are happy to serve as a resource as we continue to support collaboration between industry and government. More important: I strongly urge the committee to conduct additional hearings to learn from our colleagues in other regions of the Commonwealth about the great opportunity the industry offers...and the great need across Pennsylvania for your support. The data demonstrate that we are a significant driver for Pennsylvania's economy now and can be in the future if we work together, ultimately making Pennsylvania the most attractive location to open a life sciences business.

Thank you.