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The Lure of Biotech

by: **Naomi Aoki**
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WASHINGTON -- At the 10th annual meeting of the Biotechnology Industry Organization, the industry's largest ever, one thing is on the mind of many visitors: wooing biotech business. And that means luring companies from two states: Massachusetts and California, the country's top biotech hubs. Nine governors are attending the meeting, all pitching the wonders of their home states for biotech manufacturing and research. More than 3,000 delegates from scores of countries are doing the same. The Swiss ambassador hosted an invitation-only cruise on the Potomac River; the Australian ambassador courted biotech CEOs at the country's embassy; and Delaware's governor invited executives aboard the Kalmar Nyckel, a Delaware tall ship docked for the occasion at the Capital Yacht Club. "A lot of other states are coming after Massachusetts companies," said Thomas E. Montminy, a partner in the Boston office of accounting firm PricewaterhouseCoopers LLP. "A lot of countries are coming after Massachusetts companies." Meantime, Governor Mitt Romney flew into the nation's capital yesterday in hopes of capitalizing on Massachusetts's recent successes in drawing big pharmaceuticals companies like Novartis Pharma AG to locate research operations in the state -- and to fend off other places vying for Massachusetts companies. He shook hands at an afternoon reception featuring Legal Sea Foods clam chowder and Sam Adams beer. Then he spent the early evening in one-on-one meetings with seven of the state's biotech CEOs who are considering expansions. "I intend to make it clear that we care a lot about biotech," Romney said after working a bustling crowd in the Massachusetts pavilion in the conference center's exhibit hall. "I want biotech because I want their jobs. I don't want to see those jobs go elsewhere." While Massachusetts has long been a hot spot for biotech research, only a few companies have located their manufacturing operations in the state. Biogen Inc., one of the state's oldest and biggest firms, put its research plant in North Carolina. Biopure Corp., a Cambridge biotech that aims to become the first company to market a blood substitute in the United States, went to South Carolina with a plant. Others have gone to Ireland and Denmark. The recruitment of biotech companies reached a fever pitch at the industry's annual convention, which ends today. Despite the fact that most biotech companies do not turn a profit, the industry is seen as a promising economic driver, offering cities, states, and countries high-paying jobs. Governors and economic development officials from Iowa, Wisconsin, Oklahoma, and Puerto Rico are courting GTC Biotherapeutics Inc., a Framingham biotech considering

whether to build a manufacturing plant. Over the last three days, Geoffrey Cox, the company's president and CEO, and other company executives met privately with officials from a few different places wooing GTC.

Cox was also scheduled to meet with Romney along with officials from the state's private-public economic development agency MassDevelopment, and the head of the Massachusetts Biotechnology Council, who were all planning a pitch to keep the company in the state.

"If a company is doing research and development in a state, if it can make a sensible economic argument for keeping manufacturing in that state, it will," Cox said. "But historically, in Massachusetts, it's been difficult to make that argument. I think Romney is trying to change the perception that the state is a difficult place to expand."

But while state legislators are fighting over a proposal to earmark \$100 million for an emerging technology fund that, among other things, could help defray costs for companies seeking to build manufacturing plants in Massachusetts, Iowa is using the big biotech meeting to publicize a \$503 million initiative to foster biotechnology. Singapore unveiled plans for its Biopolis, a cluster of seven research buildings designed to attract small and midsize biotechnology firms.

When CordLife and Cytomatrix merged in April, the companies debated whether the merged firm should locate its headquarters in Singapore, where CordLife was based, or in Cambridge, where Cytomatrix was based, said its CEO, Steven Fang. In the end, it chose Singapore. There, the young company would be exempt from paying taxes for several years, and economic development officers would regularly call Fang to alert him to new government programs and funding opportunities.

"It's not that I want to give out money," said Philip Yeo, an economic development official from Singapore. "But I don't have the talent pool Massachusetts has or the cheap land New Jersey has. Singapore has handicaps, so to make up for it I have to give grants."

Una Ryan, president and chief executive of Avant Immunotherapeutics Inc., a Needham biotech firm developing vaccines, began exploring the company's options a year ago for building a manufacturing plant. Early this year, Ryan narrowed down the list of possible sites to two other states and two other countries. But she ruled out Massachusetts.

Then, Scott Sarazen, a former biotech executive who is now spearheading MassDevelopment's biotech development efforts, urged her to reconsider. Romney invited her to a meeting at the State House, and Sarazen took Avant executives on a tour of possible sites in Massachusetts.

Flipping through a presentation yesterday at the Massachusetts exhibit booth, Sarazen tried to rebut claims that the state is a more expensive place to do business than rivals like North Carolina, California, New Jersey, and New York.

According to the presentation, the cost of living in areas like Fall River and Springfield is less than in Raleigh, N.C., albeit just slightly less. The presentation says that the corporate income tax burden on companies that manufacture in Massachusetts is actually less than in many other areas because of changes to the tax code. The problem is that the state hasn't done a good job of selling itself. "Historically, the state has been arrogant," Sarazen said. "It's neglected these companies. Massachusetts has made 46 different changes to the tax code since 1989 that make the state more attractive for business. But no one's told anybody. I had never heard about it."

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