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Biotech profits on horizon

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Beaten up by analysts and critics, the worldwide biotech sector could become profitable by 2010.

And in Arizona, where there are more than 75,000 jobs in the biotech sector, the outlook is just as bright, officials say.

"Profitability is within reach," said Rich Mejia, an [Ernst & Young](#) partner and director of life sciences for Southern California. He was in town this week to present the firm's "Beyond Borders: 2006 Global Biotechnology Report," marking the 20th anniversary of Ernst & Young's first survey of biotechnology.

His presentation comes on the heels of a study by the [Morrison Institute for Public Policy](#) at Arizona State University showing Arizona residents agree science and technology play an important role in the state's economic development.

According to the report, "Arizonans' Attitudes toward Science Technology and their Effects on the Economy," citizens want their state to be a leader in biosciences.

More than 70 percent of those surveyed said they would be willing to pay higher taxes to support science and technology research that would create new jobs and improve health care.

According to [Battelle Technology Partnership Practice](#), there were about 8,000 biosciences jobs in Arizona in 2004. Adding hospitals and other laboratories into the mix, the [Flinn Foundation](#) estimates there are a total of 74,442 biotech-related positions in the state.

Biotech leaders want to see those numbers increase by tapping into state funds.

The Arizona Legislature this week approved \$35 million in funding to attract more research and science-related jobs to the state. The money would go toward the Arizona 21st Century Competitive Initiative Fund, created with the goal of securing \$150 million in state funding.

The hope in the biotech community was that the Legislature would approve the entire \$150 million request in this year's budget since the state was looking at a \$1.2 billion to \$1.5 billion surplus.

Jerry Bisgrove, chairman of [Stardust Charitable Group](#), who pledged \$100 million to the state's bioscience industry to match the Legislature's \$150 million, said he isn't sure what his next move will be.

"It's like somebody invited you out, you went out, and then they didn't show up," Bisgrove said. "So what do you do next? I'm sort of sitting here, but I want to do the next right thing. I want to give it some thought as to what the next right thing is going to be."

Jeff Morhet, chief operating officer of Scottsdale-based [InNexus Biotechnology Inc.](#), said the \$35 million in the 2007 budget certainly is a step in the right direction, but more is needed.

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"This is essential, and very few communities have leaders such as Bisgrove willing to step up to the plate and drive forward a more-than-compelling solution to fund our emerging biotechnology industry," Morhet said.

Walt Plosila, vice president of the Battelle Technology Partnership Practice, said it will take time to educate the naysayers about Arizona's biotech potential.

Arizona legislators' "show me" attitude will take constant education and re-education of progress, as they begin to see more research conducted and federal grants streaming into the state, Plosila said.

He pointed out that state lawmakers in 2003 authorized \$440 million to build university research facilities, which has resulted in a dozen buildings that are either completed or under construction.

Earlier this year, the Virginia G. Piper Charitable Trust pledged \$50 million to attract top-notch scientists to the state, but now there is talk among industry leaders that the pledge from Piper could count toward the first year of matching state funds. That would give biotech supporters more time before next year's legislative session to convince lawmakers to ante up the match for Bisgrove's pledge.

To hear Bisgrove do the math, the investment in biotech seems logical.

"Here's the deal: The House put up a deal for \$150 million matched by the private sector. Judy (Mohraz of the Piper Trust) and I came forward and matched the \$150 million. For \$2.47 per taxpayer in the state of Arizona, they got \$300 million invested in biosciences in the state."

Bisgrove estimates the \$300 million investment would attract another \$700 million from out of state through grants and research funds.

"We would have had a \$1 billion investment," he said. "The state of Arizona, for some reason, said, 'no.'"

Those who aren't convinced that biotech will be an economic driver for Arizona maintain that state funds shouldn't be used to bankroll the industry.

Bisgrove told The Business Journal he blames himself for not doing a better job of educating legislators about the benefits of the investment.

"I'm sad that I didn't have the ability to get the job done. It was my job to communicate. I didn't communicate well, obviously," he said.

But he's not ready to give up the fight, saying it takes four horses -- universities, philanthropists, the state and business -- to pull the wagon.

"I'll stay in the corral. I'm not going anyplace. I can't go and hook up to that wagon all by myself."

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