

NEWS

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Contacts: Nicole Beckstrand Laura Schooler Lisa Stearns
 (858) 456-8881 (646) 471-3229 781-878-8882
 beckstrand@chi.org laura.schooler@us.pwc.com lstearns@hubbellgroup.com

Tax, Education and Patent Reform Necessary for Biomedical Industry to Remain Globally Competitive, Finds California Healthcare Institute and PricewaterhouseCoopers

Report Explores Biomedical Industry in California and Implications for Economy and Public Health

LA JOLLA, Calif., January 24, 2008 – California's biomedical industry created approximately 7,000 new jobs and generated a 17 percent increase in revenue over a one-year period, according to a report released today by the California Healthcare Institute (CHI) and PricewaterhouseCoopers (PwC). Industry revenues in the state rose to \$72.83 billion as of the end of 2006, up from \$62 billion in 2005.

California's biomedical industry now employs nearly 268,000 people, earning an average annual individual salary that is 61 percent higher than the state's average income. With 953 biomedical products in development in the state, more than half of which are in the clinical trial phase, California has the largest biomedical industry sector in the country and attracts more venture capital funding than other states.

The 2008 report on California's biomedical industry is a comprehensive overview of the impact of the biomedical sector on California's economy and includes data on employment, wages, education and investment, as well as a snapshot of the product development pipeline. Although the numbers are promising, perspectives from thought leaders in the industry and academia throughout the state who were interviewed for the report warn that the industry will face major challenges as global competition intensifies unless careful attention is paid to the corporate tax structure, patent reform and investment in education -- especially grades K through 12.

“The US is a world leader in life sciences, from basic research to biotechnology to innovative medical devices and diagnostics, and California's biomedical industry provides two kinds of benefits: economic and saving and improving lives,” said CHI President and CEO David Gollaher, Ph.D. “Serious risks that cloud this industry's prospects include government intervention in healthcare markets and patent reform. While our industry has never been more productive or more promising, industry and government need to work together to create policies that will ultimately benefit public health.”

Highlights of the 2008 report include:

Employment

- The biomedical industry employs 267,700 people in high-wage, diverse careers in California. Employment in California's biomedical industry grew an estimated 5.4 percent between 2001 and 2006, while overall employment in California increased at a lower rate of 3.1 percent during the same period.
- The average industry salary of \$71,300 outpaced by 61.4 percent the average annual wage of \$44,180 for all other occupations in California.
- Companies making medical devices, instruments and diagnostics employed the largest number, approximately 113,800, or 43 percent of the industry. Biopharmaceutical companies employed another 79,000, or an additional 30 percent. The academic research (39,800 employees), wholesale trade (30,000 employees) and laboratory services (5,100 employees) sectors employed the remainder.

Investment

- California life sciences companies reported revenues of \$72.83 billion. Ninety-five percent of that revenue was represented by publicly traded companies, which represent only 13 percent of the life sciences companies.
- The other 87 percent of companies are smaller, private and, in most cases, still in the development phase. These companies derive funding from individual investors, venture capital, debt, grants from the National Institutes of Health (NIH) and commercial contracts. For many of these smaller companies, intellectual property (IP) is their greatest asset, and investment dollars and grants are their lifeblood.
- In 2006, venture capital invested in California life sciences companies increased to \$3.2 billion, up from \$2.97 billion in 2005.

Product Development

- California continues to produce significant numbers of new therapies and technologies for diseases ranging from cancer and cardiovascular disease to inflammatory disorders and infectious diseases, with the hope of improving the health of millions of people worldwide. Of 953 product candidates, 471 are in clinical trials.

“California's biomedical industry faces competition from around the world, but global competition also means global opportunity,” said Tracy Lefteroff, global managing partner of life sciences industry services at PricewaterhouseCoopers and co-author of the report. “The same forces of change that create a competitive threat also open new markets to California companies and make available new sources of talent and investment. California can maintain its leadership if industry and government make the most of this opportunity by cooperating on policies and programs that promote innovation.”

A full copy of the 2008 California Biomedical industry report is available at <http://www.chi.org> or at <http://www.pwc.com/pharma>.

Methodology

CHI worked with PricewaterhouseCoopers LLP to collect and administer data for the 2008 CHI/PwC California Biomedical Industry Survey. The survey was conducted in 2007 and targeted approximately 1,500 companies that conduct business in California in the areas of pharmaceuticals, biotechnology, medical devices, diagnostics or medical equipment.

About the California Healthcare Institute

The California Healthcare Institute (www.chi.org) is a non-profit public policy research organization for California's biomedical R&D industry. CHI represents more than 250 leading medical device, biotechnology, diagnostics and pharmaceutical companies and public and private academic biomedical research organizations. CHI's mission is to advance responsible public policies that foster medical innovation and promote scientific discovery.

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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